



REVENUE FORECASTING COMMITTEE

Appendix G

Maine Revenue Services Materials Presented to the Revenue Forecasting Committee

February 23, 2006

**Maine Revenue Services
Economic Research Division**

STATE OF MAINE
Undedicated Revenues - General Fund
For the Seventh Month Ended January 31, 2006
For the Fiscal Year Ending June 30, 2006
Comparison to Budget

EXHIBIT I

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2006
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Sales and Use Tax	94,741,670	92,732,927	2,008,743	2.2%	513,456,218	513,618,790	(162,572)	(0.0%)	933,701,080
Service Provider Tax	4,399,393	3,067,642	1,331,751	43.4%	23,022,256	21,854,609	1,167,647	5.3%	46,494,165
Individual Income Tax	131,958,647	143,146,864	(11,188,217)	(7.8%)	655,250,268	658,471,207	(3,220,939)	(0.5%)	1,239,297,845
Corporate Income Tax	4,128,062	8,557,631	(4,429,569)	(51.8%)	94,895,605	83,323,776	11,571,829	13.9%	165,220,000
Cigarette and Tobacco Tax	10,765,660	13,080,918	(2,315,258)	(17.7%)	87,587,651	81,402,461	6,185,190	7.6%	147,238,325
Public Utilities Tax	2,264	-	2,264	-	2,264	-	2,264	-	21,440,000
Insurance Companies Tax	5,346	8,016	(2,670)	(33.3%)	11,890,563	14,985,953	(3,095,390)	(20.7%)	77,141,931
Estate Tax	1,665,593	2,961,702	(1,296,109)	(43.8%)	49,367,404	43,772,457	5,594,947	12.8%	64,079,793
Property Tax - Unorg Territory	-	-	-	-	9,560,399	9,522,077	38,322	0.4%	11,278,476
Income from Investments	539,841	244,843	294,998	120.5%	3,458,620	2,750,650	707,970	25.7%	4,286,062
Transfer to Municipal Revenue Sharing	(11,996,616)	(12,775,759)	779,143	6.1%	(65,617,842)	(65,005,187)	(612,655)	(0.9%)	(121,620,368)
Transfer from Liquor Commission	-	-	-	-	11,850	-	11,850	-	-
Transfer from Lottery Commission	3,516,937	3,871,862	(354,925)	(9.2%)	28,970,856	30,006,965	(1,036,109)	(3.5%)	50,334,250
Other Revenues	16,288,135	14,243,355	2,044,780	14.4%	107,308,351	115,946,827	(8,638,476)	(7.5%)	216,529,079
Total Collected	256,014,932	269,140,001	(13,125,069)	(4.9%)	1,519,164,465	1,510,650,585	8,513,880	0.6%	2,855,420,638

- NOTES: (1) Included in the above is \$11,996,616 for the month and \$65,617,842 year to date, that was set aside for Revenue Sharing with cities and towns.
- (2) Figures reflect estimates of the Maine State Revenue Forecasting Committee approved in November 2005.
- (3) This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE
Undedicated Revenues - General Fund
For the Seventh Month Ended January 31, 2006 and 2005
For the Fiscal Years Ending June 30, 2006 and 2005
Comparison to Prior Year

EXHIBIT II

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/ (under)	Percent Over/ (under)	Current Year	Prior Year	Variance Over/ (under)	Percent Over/ (under)
Sales and Use Tax	94,741,670	89,776,071	4,965,599	5.5%	513,456,218	494,925,790	18,530,428	3.7%
Service Provider Tax	4,399,393	2,784,864	1,614,529	58.0%	23,022,256	21,310,683	1,711,573	8.0%
Individual Income Tax	131,958,647	148,098,576	(16,139,930)	(10.9%)	655,250,268	692,075,467	(36,825,199)	(5.3%)
Corporate Income Tax	4,128,062	7,037,070	(2,909,008)	(41.3%)	94,895,605	67,762,595	27,133,010	40.0%
Cigarette and Tobacco Tax	10,765,660	8,001,015	2,764,645	34.6%	87,587,651	57,997,231	29,590,420	51.0%
Public Utilities Tax	2,264	17,633	(15,369)	(87.2%)	2,264	(150,000)	152,264	101.5%
Insurance Companies Tax	5,346	(118,896)	124,242	104.5%	11,890,563	14,940,592	(3,050,029)	(20.4%)
Estate Tax	1,665,593	1,823,208	(157,616)	(0)	49,367,404	17,459,600	31,907,804	182.8%
Property Tax - Unorg Territory	-	-	-	-	9,560,399	9,638,377	(77,978)	(0.8%)
Income from Investments	539,841	402,618	137,224	34.1%	3,458,620	2,310,367	1,148,253	49.7%
Transfer to Municipal Revenue Sharing	(11,996,616)	(12,632,526)	635,909	5.0%	(65,617,842)	(65,079,801)	(538,040)	(0.8%)
Transfer from Liquor Commission	-	435	(435)	(100.0%)	11,850	13,788	(1,938)	(14.1%)
Transfer from Lottery Commission	3,516,937	5,024,262	(1,507,326)	(30.0%)	28,970,856	29,632,073	(661,217)	(2.2%)
Other Revenues	16,288,135	17,022,063	(733,928)	(4.3%)	107,308,351	161,452,586	(54,144,235)	(33.5%)
Total Collected	256,014,932	267,236,394	(11,221,462)	(4.2%)	1,519,164,465	1,504,289,348	14,875,117	1.0%

STATE OF MAINE

Undedicated Revenues - General Fund
For the Seventh Month Ended January 31, 2006
For the Fiscal Year Ending June 30, 2006
Comparison to Budget

EXHIBIT III

Detail of Other Revenues	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2006
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
0100's All Others	1,553,480	831,353	722,127	86.9%	17,913,595	15,034,973	2,878,622	19.1%	23,756,844
0300's Aeronautical Gas Tax	27,053	20,000	7,053	35.3%	511,361	443,022	68,339	15.4%	557,816
0400's Alcohol Excise Tax	1,100,778	1,094,475	6,303	0.6%	9,069,502	9,168,977	(99,475)	(1.1%)	15,418,047
0700's Corporation Taxes	117,297	71,097	46,200	65.0%	1,134,713	526,192	608,521	115.6%	5,528,707
1000's Banking Taxes	2,287,090	1,665,307	621,783	37.3%	11,949,520	11,585,786	363,734	3.1%	19,912,310
1100's Alcoholic Beverages	182,570	207,792	(25,222)	(12.1%)	1,603,265	1,622,376	(19,111)	(1.2%)	3,151,590
1200's Amusements Tax	-	-	-	-	2,710	4,000	(1,290)	(32.3%)	4,000
1300's Harness Racing/Parimutuels/Slots	564,444	393,025	171,419	43.6%	1,662,601	1,566,549	96,052	6.1%	3,306,948
1400's Business Taxes	994,609	790,714	203,895	25.8%	4,367,670	4,349,655	18,015	0.4%	7,961,705
1500's Motor Vehicle Licenses	141,505	363,792	(222,287)	(61.1%)	1,793,322	2,045,834	(252,512)	(12.3%)	3,961,713
1700's Inland Fisheries & Wildlife	2,039,941	1,711,525	328,416	19.2%	10,444,896	10,194,070	250,826	2.5%	16,144,351
1900's Hospital Excise & Other	29,239	32,698	(3,459)	(10.6%)	206,143	212,176	(6,033)	(2.8%)	420,036
2000's Fines, Forfeits & Penalties	2,626,529	3,592,786	(966,257)	(26.9%)	19,403,204	23,651,735	(4,248,531)	(18.0%)	43,042,996
2200's Federal Revenues	2,639,534	1,991,088	648,446	32.6%	7,498,057	14,008,895	(6,510,838)	(46.5%)	23,925,471
2300's County Revenues	-	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	(5,889)	-	(5,889)	-	13,236	-	13,236	-	60,000
2500's Revenues from Private Sources	278,534	210,804	67,730	32.1%	1,854,849	1,468,156	386,693	26.3%	4,051,906
2600's Current Service Charges	2,026,811	1,938,439	88,372	4.6%	20,124,301	22,872,731	(2,748,430)	(12.0%)	35,959,154
2700's Transfers from Other Funds	(316,049)	(672,540)	356,491	53.0%	(2,275,358)	(2,814,900)	539,542	19.2%	9,242,885
2800's Sales of Property & Equipment	660	1,000	(340)	(34.0%)	30,764	6,600	24,164	366.1%	122,600
Total Other Revenues	16,288,135	14,243,355	2,044,780	14.4%	107,308,351	115,946,827	(8,638,476)	(7.5%)	216,529,079

NOTE:

This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - General Fund
For the Seventh Month Ended January 31, 2006 and 2005
For the Fiscal Years Ending June 30, 2006 and 2005
Comparison to Prior Year

EXHIBIT IV

Detail of Other Revenues	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
0100's All Others	1,553,480	1,758,760	(205,280)	(11.7%)	17,913,595	17,956,848	(43,253)	(0.2%)
0300's Aeronautical Gas Tax	27,053	65,686	(38,634)	(58.8%)	511,361	856,919	(345,557)	(40.3%)
0400's Alcohol Excise Tax	1,100,778	925,739	175,039	18.9%	9,069,502	7,793,708	1,275,794	16.4%
0700's Corporation Taxes	117,297	99,926	17,372	17.4%	1,134,713	726,347	408,366	56.2%
1000's Banking Taxes	2,287,090	2,030,950	256,140	12.6%	11,949,520	10,694,610	1,254,910	11.7%
1100's Alcoholic Beverages	182,570	162,020	20,550	12.7%	1,603,265	1,511,020	92,245	6.1%
1200's Amusements Tax	-	400	(400)	(100.0%)	2,710	3,000	(290)	(9.7%)
1300's Harness Racing/Parimutuels/Slots	564,444	79,044	485,399	614.1%	1,662,601	533,083	1,129,518	211.9%
1400's Business Taxes	994,609	522,878	471,731	90.2%	4,367,670	2,663,266	1,704,404	64.0%
1500's Motor Vehicle Licenses	141,505	596,500	(454,995)	(76.3%)	1,793,322	2,687,660	(894,338)	(33.3%)
1700's Inland Fisheries & Wildlife	2,039,941	1,996,016	43,924	2.2%	10,444,896	10,840,694	(395,798)	(3.7%)
1900's Amnesty, Hosp Excise & Other	29,239	48,019	(18,780)	(39.1%)	206,143	269,526	(63,383)	(23.5%)
2000's Fines, Forfeits & Penalties	2,626,529	2,657,585	(31,056)	(1.2%)	19,403,204	19,352,167	51,037	0.3%
2200's Federal Revenues	2,639,534	2,082,847	556,687	26.7%	7,498,057	14,016,151	(6,518,094)	(46.5%)
2300's County Revenues	-	-	-	-	-	-	-	-
2400's Revenues from Cities & Towns	(5,889)	2,279	(8,168)	(358.4%)	13,236	25,114	(11,878)	(47.3%)
2500's Revenues from Private Sources	278,534	159,721	118,813	74.4%	1,854,849	1,240,472	614,378	49.5%
2600's Current Service Charges	2,026,811	2,083,933	(57,122)	(2.7%)	20,124,301	66,832,305	(46,708,005)	(69.9%)
2700's Transfers from Other Funds	(316,049)	1,747,328	(2,063,377)	(118.1%)	(2,275,358)	3,357,152	(5,632,511)	(167.8%)
2800's Sales of Property & Equipment	660	2,432	(1,772)	(72.9%)	30,764	92,544	(61,780)	(66.8%)
Total Other Revenues	16,288,135	17,022,063	(733,928)	(4.3%)	107,308,351	161,452,586	(54,144,235)	(33.5%)

NOTE:

This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - Highway Fund
For the Seventh Month Ended January 31, 2006
For the Fiscal Year Ending June 30, 2006
Comparison to Budget

Exhibit V

	Month				Year to Date				Total Budgeted Fiscal Year Ending 6-30-2006
	Actual	Budget	Variance Over/(under)	Percent Over/(under)	Actual	Budget	Variance Over/(under)	Percent Over/(under)	
Fuel Taxes	18,045,609	22,305,291	(4,259,682)	(19.1%)	114,789,282	119,667,782	(4,878,500)	(4.1%)	230,922,713
Motor Vehicle Registration & Fees	6,514,385	6,816,081	(301,696)	(4.4%)	46,751,990	46,527,380	224,610	0.5%	87,172,358
Inspection Fees	213,621	273,701	(60,081)	(22.0%)	2,673,189	2,738,632	(65,443)	(2.4%)	4,397,970
Fines, Forfeits & Penalties	134,300	164,561	(30,261)	(18.4%)	1,056,699	1,082,681	(25,982)	(2.4%)	1,973,665
Earnings on Investments	90,987	136,217	(45,230)	(33.2%)	956,578	892,434	64,144	7.2%	1,600,000
All Other	634,557	565,944	68,613	12.1%	6,378,016	5,850,494	527,522	9.0%	9,286,173
Total Revenue	25,633,458	30,261,795	(4,628,337)	(15.3%)	172,605,755	176,759,403	(4,153,648)	(2.3%)	335,352,879

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

STATE OF MAINE

Undedicated Revenues - Highway Fund
For the Seventh Month Ended January 31, 2006 and 2005
For the Fiscal Years Ending June 30, 2006 and 2005
Comparison to Prior Year

Exhibit VI

	Month				Year to Date			
	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)	Current Year	Prior Year	Variance Over/(under)	Percent Over/(under)
Fuel Taxes	18,045,609	17,956,263	89,346	0.5%	114,789,282	116,010,601	(1,221,318)	(1.1%)
Motor Vehicle Registration & Fees	6,514,385	6,513,595	789	0.0%	46,751,990	44,018,766	2,733,224	6.2%
Inspection Fees	213,621	172,868	40,752	23.6%	2,673,189	2,553,345	119,845	4.7%
Fines, Forfeits & Penalties	134,300	146,226	(11,926)	(8.2%)	1,056,699	1,033,123	23,576	2.3%
Earnings on Investments	90,987	98,870	(7,884)	(8.0%)	956,578	479,271	477,307	99.6%
All Other	634,557	692,122	(57,565)	(8.3%)	6,378,016	5,751,710	626,306	10.9%
Total Revenue	25,633,458	25,579,945	53,514	0.2%	172,605,755	169,846,816	2,758,940	1.6%

NOTE: This report has been prepared from preliminary month end figures and is subject to change.

Economic Assumptions

Assumptions Used in Sales & Excise Model

- (1) Total Personal Income
- (2) Inflation (CPI-U)
- (3) Total Employment Growth
 - (a) Growth by Sector
- (4) Forecast of CPI for Energy Prices (Global Insight – Oct. 2005)

Assumptions Used in Individual Income Tax Model

- (4) Total Personal Income
 - (a) Growth by Component
- (5) Inflation (CPI-U)
- (6) Total Employment Growth
- (7) Unemployment Rate
- (8) 3-Month Treasury Bill Rate
- (9) 10-Year Treasury Note Rate

Assumptions Used in Corporate Income Tax Model

- (10) Inflation (CPI-U)
- (11) Total Employment Growth
 - (a) Growth by Sector
- (12) Forecast of After-Tax Corporate Profits (Global Insight)



U.S. EXECUTIVE SUMMARY

FEBRUARY 2006

A Real Slowdown?

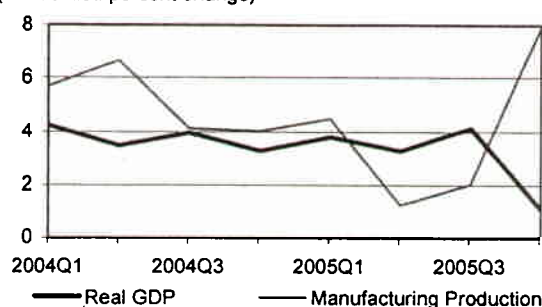
- The anemic 1.1% GDP growth rate in the fourth quarter is not a signal that the expansion is out of steam—we expect a bounce-back to 4.8% growth in the first quarter.
- Beyond the first quarter, economic activity should gradually slow as the housing market cools. We expect GDP growth of 3.5% in 2005 to be followed by 3.3% in 2006 and 2.7% in 2007.
- Inflation risks suggest that the Federal Reserve has not finished raising interest rates. We expect one more hike in the federal funds rate, to 4.75%, at the end of March—followed by an extended pause—although the risk is that the Fed will have to do more rather than less.

The Forecast in Brief

Although we believe that the economy is gradually slowing, the drop in **GDP growth** to 1.1% in the fourth quarter of 2005 greatly overstates the deceleration. We expect a bounce-back to 4.8% growth in the first quarter that will allay fears that the expansion is out of steam. Global Insight still expects growth in 2006 to be solid, at 3.3%, down from 3.5% in 2005. Growth is likely to slow beyond the first quarter, though, as the housing market cools, setting the stage for a below-trend 2.7% growth rate in 2007.

The 1.1% fourth-quarter growth rate was surprisingly low, relative to our January expectation of 3.1%. Timing quirks seem to have depressed government spending, but that was not the whole story. And while consumer spending growth was weak, that was no surprise due to a big payback in car sales following the third-quarter incentives. Spending on other consumer goods and services actually accelerated. But business fixed investment, inventories, and exports all came in weaker than anticipated.

Fourth-Quarter Growth: GDP Slumped, But Manufacturing Surged
(Annualized percent change)



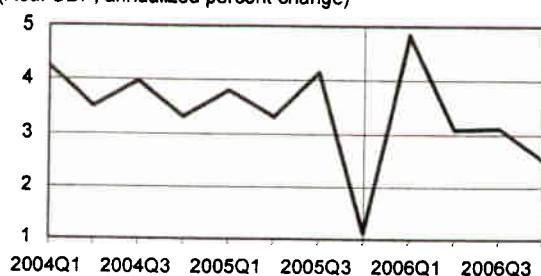
The extent of the slowdown is puzzling, because other indicators of overall activity do not show the same weakness. Production-based indicators like industrial production were up sharply, rebounding after the third-quarter's hurricanes and Boeing strike, even though energy production was down. Manufacturing growth hit a six-year high of 7.9%. It may be that the industrial production data (which come mainly from direct measures of output) better captured the swings in activity caused by the hurricanes than the GDP data (where output is derived from spending data, combined with hard-to-measure inventory fluctuations).

While housing market indicators continue to soften, **recent evidence does not show a broad-based deterioration consistent with a sudden loss of growth momentum.** Manufacturing still looks solid—although the ISM index has eased back a little after post-hurricane bounces. Auto sales and chain-store readings for January were robust. Record-warm weather has meant that the hit from high heating bills has not been as large as feared, and it also encouraged shoppers to go out. And the labor market con-

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A First-Quarter Rebound Expected
(Real GDP, annualized percent change)



continues to show improvement, with 193,000 jobs added in January and the unemployment rate dipping to 4.7%. True, abnormally warm weather helped construction jobs, but that was not the whole story.

We expect a **positive payback in the first quarter** for the weak growth rate in the fourth quarter, with GDP growth to hit 4.8%. Consumer spending ended the fourth quarter much more strongly than it began, and with January also looking strong, we anticipate a 5.1% growth rate for the first quarter. Government spending is likely to bounce higher, and we expect exports and business fixed investment to strengthen (the latter helped by hurricane reconstruction).

Beyond the immediate quarterly gyrations, we see the prospect of a gradual slowdown in GDP growth, as the **housing market**—the key driver of the current expansion—cools in the face of overextended prices and higher interest rates. New home sales, existing home sales, and builder confidence have all shifted down, as rapid price gains have made houses less affordable for the average buyer.

The slowdown in the housing market should lead, in turn, to a gradual increase in the **household saving rate**, which slows **consumer spending** growth, as households realize that they cannot rely on house price increases to keep building wealth. The saving rate is now below zero—for only the second time since World War II. This suggests that some rebuilding of savings is likely, especially if the home-equity pump from the housing market loses force, as we assume.

Business fixed investment spending (spurred by higher utilization rates) may dampen the slowdown, but will not prevent it. Corporations had plenty of cash to fuel a double-digit jump in **business equipment spending** during 2005, and we expect nearly the same in 2006. Still lagging behind, **nonresidential construction spending** should finally rebound this year helped by post-hurricane rebuilding. Drilling activity will be boosted by still-high energy prices.

The hurricanes, plus the launch of the unfunded Medicare prescription drug program, will bring to an end, at least temporarily, the improvement in federal government finances. We expect the **federal budget deficit** to widen to \$367 billion in fiscal 2006, from \$319 billion in fiscal 2005. But we believe that the Bush administration's deficit estimate for 2006 (\$423 billion) is overly pessimistic.

Export growth disappointed in the fourth quarter, but we expect a rebound to high single-digit growth in the first half of 2006. There have been encouraging recent signs of economic improvement in the Eurozone and Japan, and growth in the rest of Asia remains rapid, led by China. The dollar appreciated during 2005 based on a rising interest-rate differential in favor of U.S. assets, but we still believe its long-term path is downward, due to the large and still-widening trade gap. The **current-account deficit** is likely to exceed \$900 billion (reaching 7.0% of GDP) in 2006.

The **headline CPI** rate has fallen, with gasoline prices well below their peak—but the key question is what will happen to **"core" inflation** (excluding food and energy) over the next few months. Tighter **industrial utilization rates** and a lower unemployment rate are creating some upside risks for inflation. Thus, we expect to see core CPI inflation creeping up from 2.2% in 2005 to 2.3% in 2006. In combination with an anticipated bounce in GDP growth, this suggests that more Federal Reserve tightening is required.

New **Fed chairman Bernanke** has a free hand to set rates as he wants—the Fed's language now indicates only that further tightening "may" be required. But the Fed is unlikely to stop quite yet. We expect at least one more 25-basis-point hike, taking the **federal funds rate** to 4.75% at the end of March, before an extended pause. The risk is that the Fed will have to do more rather than less. **Ten-year bond yields** have edged back up to 4.5%, and we expect to see a

further rise in yields in coming months, approaching 5.0% by year-end.

Oil Prices: Little Near-Term Relief, But Possible Big Drop in the Medium to Long Term

In the wake of hurricanes Katrina and Rita, oil and gasoline prices hit record highs, in nominal terms. Within weeks, however, a combination of factors (a fairly quick recovery of both drilling and refining activity, along with a rise in imports) brought about a sharp drop in both. Unfortunately, the prices of both crude and refined products have risen over the past month, bringing them uncomfortably close to their immediate post-hurricane highs. Even though prices, once again, eased a little in early February, the single most important question regarding the oil price outlook remains: How much of the recent price rise is due to fundamentals and how much is due to special factors, such as the stand-off over Iran's nuclear capabilities and unrest in the oil-producing regions of Nigeria? A related question is: When can we expect to see any significant relief?

The Short-Term Risks Are All on the Upside, Thanks to Strong Fundamentals...Unfortunately, while special factors have played a role in recent price hikes, the tripling of oil prices since early 2002 is almost entirely due to fundamental market forces, including the near elimination of spare capacity in OPEC. Basically, the demand for energy has been growing faster than the supply. While some improvement is expected, these fundamentals are unlikely to change significantly over the next couple of years.

Global GDP is expected to grow a little more rapidly this year than in 2005. Despite (or because of) the 1.1% U.S. growth in the fourth quarter, Global Insight predicts that there will be sharp rebound (4.8%) in the first quarter. For all of 2006, we expect the U.S. economy to expand 3.3% (only a little slower than the 3.5% last year). In the meantime, we have revised upward our growth projections for much of the rest of the world.

With survey data coming in strong, we now expect that Eurozone GDP will grow 2.1% or 2.2% this year, compared with our previous estimate of 1.9%. The German economy should be able to expand about 2.0% this year, nearly double the pace of the past two years, although some of this stronger growth may be due to temporary factors (a

weaker euro in 2005 and pre-buying in anticipation of the rise in value-added taxes scheduled for January 2007). Similarly, we believe that the Japanese economy can expand around 2.5% during 2006, instead of the previous projection of only 1.9% growth.

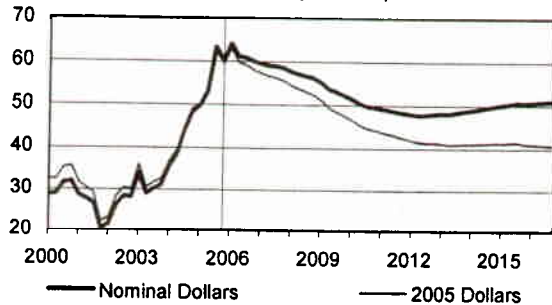
Perhaps the most dramatic change has been to our China forecasts. The Chinese government recently revised economic growth going back to 1993. The average growth rate from 2003 to 2005 is now estimated to have been 10%. As a result, we have upwardly revised projected 2006 growth from 8.8% to around 9.5%, and 2007 growth from 8.4% to 8.9%. We now believe that trend growth in China (and the world) is higher than previously estimated. Since Chinese energy demand has played a big role in the steady rise in oil prices over the past three years, the stronger-than-previously-expected outlook for China's economic growth means that the demand-side fundamentals in the oil and energy markets could keep prices high.

Meanwhile, despite evidence that the supply side of the energy markets is improving gradually and inventories are rising slowly, the greater volume of oil coming into the market may not be enough to meet the strong growth in demand. OPEC seems to be happy with the current state of affairs (high prices and strong growth) and is in no hurry to boost production by much (assuming it can). New investments in exploration and drilling are occurring, but supply is slow to respond, both for non-OPEC production and for North American natural gas. Global Insight predicts that spare capacity in the petroleum markets will increase from around 1.5% of global demand in the past two years to a little over 2.0% this year. This small increase in oil market slack could be easily eroded by stronger demand and/or weaker supply, and will be insufficient to dampen fears of shortages in the face of actual or perceived shocks.

Based on these market fundamentals, Global Insight believes that oil prices will average at least \$64 per barrel in the first quarter and then fall gradually, reaching \$60 by year-end, as economic growth in both the United States and China begins to slow a little and rising inventories help to calm market fears. Assuming that tight market conditions continue to ease only gradually over the next few years (in other words, assuming no recession), the earliest prices will get back to \$50 will be in 2010.

Oil Price Outlook

(West Texas Intermediate, dollars per barrel)



...And the "Fear Factor." Over the last few years, strong fundamentals and tight market conditions have made oil prices vulnerable to the rare supply disruptions and frequent fears of such disruptions. Unfortunately, there has been no shortage of such events: hurricanes, sabotage in Iraq, strikes in Venezuela, terrorism in Saudi Arabia, rebel activity in Nigeria, and unfriendly actions by the Russian government against energy companies and neighboring countries. At any given time, nervousness in oil markets may have added as much as \$5–10/barrel to the price of oil (and occasionally more). In each case, prices have spiked and then fallen—but almost never to their pre-spike levels.

The current market jitters have been triggered by several events, notably the recent confrontation over Iran's nuclear program. This standoff is unlikely to be resolved soon, because Iran's new president, Mahmoud Ahmadinejad, is using it to consolidate his power at home. The longer the crisis continues and the tougher the stand that the United States and the European Union take, the more popular he becomes in Iran. While it is not clear how this situation will resolve itself, or how long it will take, many analysts are worried about possible embargoes by the West and/or curtailment of exports by Iran. Since Iran accounts for about 11% of OPEC output, any disruption of its exports could potentially push prices as high as \$100/barrel for a few months.

The Longer Prices Stay High, the Greater the Likelihood That They Will Fall. In many ways, oil is not much different than other commodities when markets are tight. Unlike the mid-1970s and early 1980s, it is economic growth that is driving oil prices in the current business

cycle, rather than vice versa. In other words, over the last few years, there has been nothing peculiar to oil, natural gas, or coal that has driven up their prices and maintains them at elevated levels.

What sets oil markets apart from other commodities is the role of the OPEC cartel. When oil markets are tight (as they are now), the cartel can exert maximum power. At other times, though, OPEC has been much less powerful (e.g., the late 1980s and 1990s). While oil markets remain tight and as OPEC's share of production rises—a trend that Global Insight projects for the near-to-medium term—the cartel will remain in the driver's seat. But the longer OPEC succeeds in keeping prices high, the greater the chance that, in time, its power will once again be eroded.

The history of commodity prices suggests that sometime beyond the next few years a combination of supply- and demand-side responses will bring oil and other commodity prices back down to earth again. Nevertheless, market analysts continue to fall into the trap of extrapolating current trends into the distant future. There is a long list of economists and analysts who have made dire predictions about running out of natural resources, including oil. In the early 1800s, Thomas Malthus projected that population growth would outpace food supply. In 1862, Stanley Jevons (a highly respected economist at the time) predicted that Britain would run out of coal by 1890, with very dire consequences. In the 1960s and 1970s, the Club of Rome predicted that a shortage of natural resources would hobble the world economy within a few decades. In 1980, one oil market analyst predicted "\$85 in '85," referring to the price of oil in 1985. Today, proponents of "peak oil" are once again predicting that we will run out of oil in the next few decades. Every single one of these predictions has badly missed the role of technological change in bringing about demand changes, improved productivity, and alternative supplies of (and substitutes for) energy and other raw materials.

In the longer run, thanks to technology, the constraints that are currently keeping oil prices high will no longer be binding. Over the next 10–20 years, a response of both supply and demand to high prices is guaranteed—it has been large in the past. In fact, the longer prices stay high, the more they are likely to fall, possibly in a spectacular fashion. In

the long haul, other sources of energy (e.g., tar sands, oil shale, hydrogen, nuclear, and solar) will become more viable and technological advances will lower the marginal cost of oil and natural gas. Finally, technology will also have a big impact on the demand side (e.g., hybrid cars and other technologies that will improve overall energy efficiency). For example, it is a safe bet that the huge increase in automobile demand over the next two decades in India and China will trigger radical improvements in the energy efficiency of these cars.

It is difficult to predict, with any precision, when the supply and demand responses will be large enough to bring prices down again—Global Insight expects that it could take 10 years or longer. But history shows that market forces always have a powerful effect on commodities—often with a lag, and sometimes with a vengeance.

Key Forecast Assumptions

Oil Price Projection Raised. High oil prices remain a cloud over the global economy, with jangled nerves over Iran's nuclear ambitions sending prices into the high \$60s per barrel. The forecast assumes that the risk premium in the oil market will shrink, allowing prices (West Texas Intermediate) to ease back to an average \$61.50 for 2006 (compared with \$58.20 in the January forecast). Tight demand/supply fundamentals will keep the market vulnerable to actual and feared supply disruptions.

Natural Gas Prices See Warm Weather Relief. The unseasonably warm winter has driven natural gas prices down. We now expect the Henry Hub price for natural gas to average \$8.49 per million Btu in the first quarter, rather than \$12.63, although this is still 33% above a year ago. We assume the price rises to \$10.12 in late 2006.

One More Fed Rate Hike. We assume one more 25-basis-point hike that takes the federal funds rate to 4.75% as of March 28, 2006, followed by an extended pause.

Dollar Decline to Resume. The dollar strengthened against most currencies in 2005, but we believe that the

drag from the current-account deficit will reassert itself in 2006, especially after the Fed stops tightening. We expect the dollar to decline about 7% against major currencies during 2006 (fourth quarter-to-fourth quarter basis), reaching rates of \$1.32/euro, 102 yen/dollar, and C\$1.14/dollar at year-end. We anticipate a further 6% decline against major currencies during 2007. China began the process of renminbi revaluation with a small 2.1% move in July; we expect its future moves will be incremental. Over the next 12 months, the Chinese currency should appreciate another 2.5% against the dollar.

Tax Burden to Rise. We do not believe that budget-deficit reduction will be achieved by spending restraint alone. The forecast assumes that Congress will not allow all of the Bush administration's personal tax reductions to expire as scheduled. But we are also assuming that Congress will tinker enough to raise federal personal income tax receipts, little by little, back toward their historical average of 8.2% of GDP. For 2006, we assume another temporary "fix" that will prevent the individual Alternative Minimum Tax from raising the tax burden. Thereafter, we assume that the president and Congress will prevent the AMT from kicking in strongly, but that they will gradually broaden the income tax base in order to make up the lost revenues.

Hurricane Destruction. The Bureau of Economic Analysis' estimates of the damage from hurricanes Katrina and Rita imply \$92 billion in damage to the stock of private capital, equivalent to 0.7% of GDP. We assume \$92 billion in federal government spending in response to the storms, spread over several years. This represents \$59 billion in spending by FEMA (including \$23 billion in flood insurance), \$25 billion in funding for infrastructure and equipment spending, and \$8 billion in current spending by other agencies and the military. We assume an extra 150,000 housing starts over the next three to four years to replace units destroyed or rendered uninhabitable.

by Nariman Behraves and Nigel Gault

Risks to the Forecast

Labor productivity in the fourth quarter of 2005 fell for the first time since the first quarter of 2001. The reasons for the drop are puzzling. Did workers suddenly decide to coast at the end of last year? Our view is that measurement problems may have distorted the numbers, and that productivity will bounce back strongly in the first quarter of 2006. Still, the underlying rate of productivity growth has slowed. In the forecast, productivity grows about 2.4% over the next 10 years. This is below the sizzling 3.7% average achieved from 2001 to 2004 (but still above the 2.1% average of the past 50 years).

An argument could be made that our forecast is too low. Many economists in academia believe that the productivity boom may last another decade, if not longer. Their premise is that the contribution that information technologies have made to productivity has yet to run its course. The optimistic scenario incorporates this view. The driving force behind this is a pickup in multi-factor productivity growth. This alternative forecast also focuses on the momentum being created by the investment recovery. As the decade-long expansion of the 1990s showed, once an economy gets up a head of steam, it is difficult to slow it down. Indeed, the optimistic scenario resembles the late 1990s, when it seemed that the good times would last forever.

The pessimistic scenario focuses on the upward pressures on global commodity prices—notably for energy—and the downward trend in the dollar, with their negative implications for inflation, bond yields, and domestic demand. The simulation also includes a housing bubble that ends inauspiciously. This alternative forecast resembles the late 1970s, when it seemed the bad times would never end. Indeed, as the 1970s demonstrated, economic malaise is difficult to shake as well.

Growth Surges Higher Again (20% Probability). Six assumptions distinguish the optimistic scenario from the baseline forecast. First, total factor productivity, a concept that roughly measures how innovations augment economic growth, is stronger. Underlying this assumption is the view that the information-driven technology boom, which may have accelerated in recent years, continues. Productivity is a panacea. In the optimistic scenario, it is the main reason why economic growth and employment gains are higher

and inflation and budget deficits are lower than in the baseline. It is also one reason why the dollar is stronger. In conjunction with productivity gains, the stronger currency will help contain inflation.

Second, foreign economic growth is stronger. Although it can have a few side effects, such as commodity price inflation, foreign economic growth is also potent medicine. A stronger world economy boosts U.S. exports and strengthens domestic manufacturing. In this scenario, both developing and industrialized economies grow faster than in the baseline. As a result, after 2005, exports grow faster in every year but one during the forecast period despite a stronger dollar.

Third, business investment is stronger. Today's level of business spending is below average by historical standards. In 2005, business fixed investment accounted for 10.6% of GDP, almost a full percentage point below the average over the past 25 years despite strong fundamentals—namely, an economy growing faster than trend and low interest rates. In this scenario, business spending (particularly on equipment and software) is much higher than in the baseline throughout the forecast period. By 2010, for example, it accounts for 12.2% of GDP, compared with 11.2% in the baseline.

Fourth, the federal government budget deficit in the optimistic scenario is lower than in the baseline. As the U.S. economy performs better, tax revenues increase and federal transfer payments decrease, leading to smaller deficits. Also contributing to a smaller deficit are lower interest rates, which result in lower federal interest payments.

Fifth, housing starts are stronger. The main factors driving starts up in the optimistic scenario are better job growth, lower interest rates, higher consumer confidence, and lower long-term mortgage rates.

Finally, the optimistic scenario assumes that energy prices are lower than in the baseline. Oil prices run about \$7.50/barrel lower than in the baseline, and wellhead natural gas prices about 7.5% lower.

The optimistic scenario assumes a very strong bounce-back to 5.6% growth in the first quarter of 2006, compared with the baseline's 4.8% growth. In 2006, growth averages 4.0%,

versus 3.3% in the baseline. Although economic growth and labor markets are stronger, inflation is lower because of the stronger dollar and faster productivity gains. The lower inflation rate allows the Federal Reserve to keep the federal funds rate below the baseline value. Since productivity gains are stronger, potential GDP is higher and remains so throughout the forecast period. Job growth is also stronger, keeping the unemployment rate below its baseline rate over the forecast period.

Stagflation (25% Probability). After a quarter-century of declining inflation, signs of a reacceleration are emerging. A doubling of oil prices, a downtrend in the dollar, two-and-a-half years of accommodative monetary policy, and loose fiscal policy may have produced the conditions for a serious acceleration of inflation. The Federal Reserve is counting on continuing strong productivity gains, together with its “measured” tightening, to keep inflation at bay—but perhaps this is too sanguine a view.

The pessimistic alternative assumes that there is less spare capacity than thought, both globally and in the U.S. economy. Rapid technological advances and high oil prices may have rendered obsolete much of the idled capacity that theoretically remains on the books. It assumes that the dollar weakens quickly as foreign investors take fright at the spiraling U.S. trade deficit. Interest rates rise as foreign investors diversify away from the dollar, and the federal deficit widens relative to the baseline. The falling dollar adds to the upward pressure on inflation.

In the pessimistic alternative, core inflation keeps gathering momentum, reaching 3.0% by mid-2006. The Fed responds by accelerating the pace of tightening. Despite the more aggressive stance, both the stock and bond markets slip on signs that the Fed may have let inflation build up an unstoppable momentum. The Fed cannot permit this acceleration to continue, and so it continues hiking interest rates. The federal funds rate averages 6.11% in the fourth quarter of 2006, compared with 4.75% in the baseline.

This simulation also has a housing price bubble that ends dramatically. The average price of existing single-family homes rises 18% above the baseline average by the second quarter of 2006, but then the bubble bursts. In the second quarter of 2007, the average price tumbles more than 20% below its year-earlier value, and then stays below its baseline value throughout the forecast period. Housing starts tumble to 1.57 million units in 2007, compared with 1.81 million in the baseline forecast.

Between the higher interest rates and persistently high energy prices, consumer confidence suffers. Consumers rein in their discretionary spending and the U.S. economy slows. Core inflation stabilizes—but fails to retreat sufficiently, worrying the Federal Reserve. At the same time, hiring falters, causing the unemployment rate to climb. The Fed, forced to choose between fighting inflation and encouraging economic and employment growth, focuses on the long-term consequences of its policy and chooses to battle inflation—and, in fact, inflation eventually tapers off. Debt-laden consumers retrench further. Finally, early in 2008, with the unemployment rate at 6.1% and the federal funds rate at 7.75%, the Fed decides to hold. With the weaker dollar boosting trade, GDP growth begins to accelerate, bringing the unemployment rate down. As investment activity picks up, potential output increases relative to actual output, easing the upward pressure on prices.

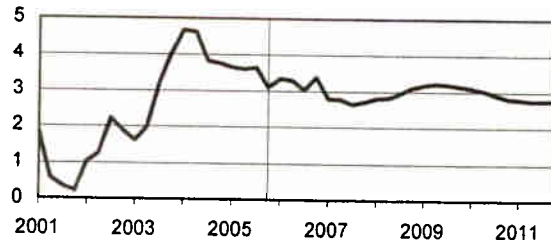
The economy does not sink into recession in the pessimistic alternative, but merely fails to come as close to its potential as in the baseline, with GDP growth coming in 0.7 percentage point below the baseline rate in 2006 and 1.4 percentage points below it in 2007. Production shifts from satisfying domestic demand to serving foreign demand, which responds strongly to the weaker dollar. The ground lost relative to the baseline is never made up, though, and real GDP is more than 5.0% below its baseline level at the end of 2016.

by Patrick Newport and Marina Hess

Forecast at a Glance

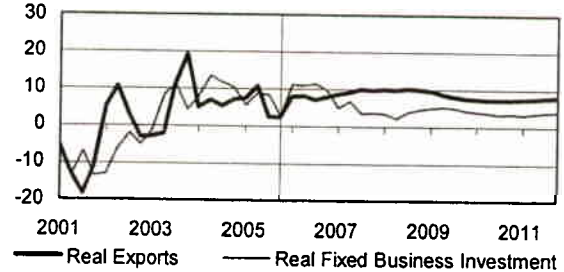
GDP Growth to Gradually Ease

(Percent change from a year earlier)



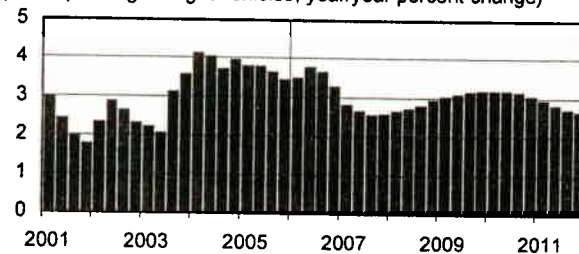
Exports and Business Investment Will Support Growth

(Annual rate of growth)

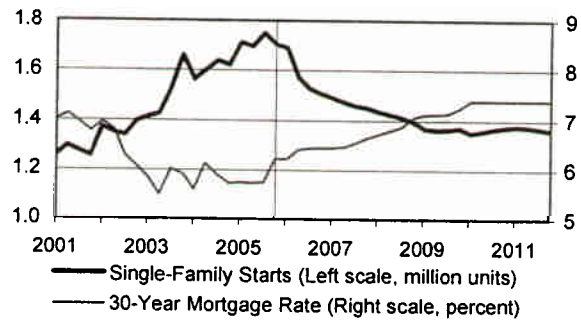


Consumer Spending Growth Will Slow

(Real spending ex. light vehicles, year/year percent change)

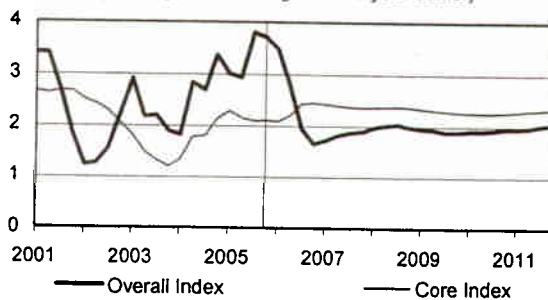


Housing Has Peaked



Core Inflation Will Remain at 2%-Plus

(Consumer prices, percent change from a year earlier)



The Yield Curve Has Flattened

(Percent)

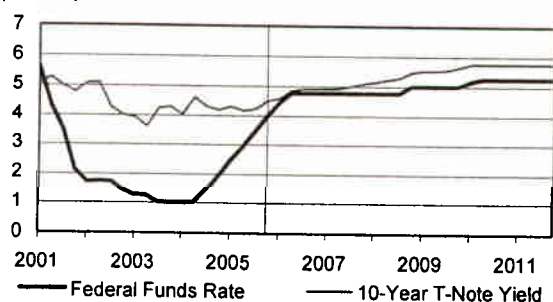


TABLE 1
Monthly Economic Indicators

	Dec. 2004	Jan. 2005	Jun. 2005	Jul. 2005	Aug. 2005	Sep. 2005	Oct. 2005	Nov. 2005	Dec. 2005	Jan. 2006	2003	2004	2005
Industrial Markets													
Industrial Prod. (2002=100.0)	107.5	108.1	109.0	109.1	109.5	108.9	110.9	111.4	111.6		100.5	105.4	109.4
Percent Change	0.5	0.5	0.3	0.1	0.4	-0.5	1.8	0.4	0.2		0.5	4.8	3.8
Percent Change Year Earlier	5.0	5.3	3.9	3.2	2.9	2.8	3.8	4.2	3.8				
Capacity Utilization, Manufacturing (%)	78.3	78.6	78.7	78.6	78.8	78.2	79.5	79.6	79.6		73.7	77.1	78.8
Unemployment Rate (%)	5.4	5.2	5.0	5.0	4.9	5.1	4.9	5.0	4.9	4.7	6.0	5.5	5.1
Payroll Employment (Mil.)	132.395	132.471	133.376	133.617	133.792	133.840	133.877	134.231	134.371	134.564	129.993	131.424	133.458
Change (Mil.)	0.160	0.076	0.166	0.241	0.175	0.048	0.037	0.354	0.140	0.193	-0.349	1.431	2.035
Leading Indicator (1992=1.000)	1.361	1.358	1.371	1.369	1.369	1.359	1.372	1.384	1.385		1.243	1.335	1.366
Percent Change	0.7	-0.2	1.1	-0.1	0.0	-0.7	1.0	0.9	0.1		5.0	7.4	2.4
New Orders, Mfg. (Bil. \$)	375.8	372.6	395.3	385.6	396.8	391.2	397.6	410.6	415.1		329.4	360.0	390.3
Percent Change	0.2	-0.8	0.9	-2.5	2.9	-1.4	1.7	3.3	1.1		3.5	9.3	8.4
Inv. Chg., Mfg. & Trade (Bil. \$)	2.2	10.9	-0.5	-5.5	4.8	6.1	5.0	6.3			17.6	89.8	
Merchandise Trade Bal. (Bil. \$)	-58.4	-61.6	-62.5	-61.5	-62.6	-69.9	-71.9	-67.6			-532.4	-650.9	
Consumer Markets													
Disposable Income (Bil. 2000\$)	8393	8087	8133	8149	7922	8111	8144	8209	8242		7742	8004	8115
Percent Change	4.0	-3.6	0.4	0.2	-2.8	2.4	0.4	0.8	0.4		2.4	3.4	1.4
Personal Income (Bil. \$)	10291	10025	10232	10275	10059	10360	10419	10464	10505		9169	9713	10238
Percent Change	3.7	-2.6	0.5	0.4	-2.1	3.0	0.6	0.4	0.4		3.2	5.9	5.4
Personal Saving Rate (%)	4.4	0.7	-0.6	-1.4	-3.4	-0.5	-0.1	-0.2	-0.7		2.1	1.7	-0.5
Consumer Expenditures (Bil. \$)	8468	8483	8737	8858	8819	8855	8868	8916	8997		7710	8214	8746
Percent Change	0.7	0.2	1.0	1.4	-0.4	0.4	0.1	0.5	0.9		4.9	6.5	6.5
Retail Sales (Bil. \$)	336.4	336.8	351.3	357.3	350.7	351.8	352.5	355.4	357.8		3623.8	3888.5	4183.8
Percent Change	1.1	0.1	1.9	1.7	-1.8	0.3	0.2	0.8	0.7		4.3	7.3	7.6
Non-Auto. Retail Sales (Bil. \$)	259.9	261.6	271.0	272.4	275.7	279.3	281.3	280.1	280.6		2778.5	3007.2	3266.0
Percent Change	0.6	0.7	1.0	0.5	1.2	1.3	0.7	-0.4	0.2		4.7	8.2	8.6
New Light-Vehicle Sales (Mil.)	17.9	16.3	17.8	20.7	16.8	16.3	14.7	15.7	17.1	17.6	16.6	16.9	16.9
Housing Starts (Mil.)	2.050	2.188	2.065	2.062	2.081	2.160	2.051	2.121	1.933		1.854	1.950	2.066
New Home Sales (Mil.)	1.247	1.194	1.298	1.371	1.274	1.249	1.358	1.233	1.269		1.091	1.200	1.280
Existing Home Sales (Mil.)	6.810	6.820	7.350	7.150	7.280	7.290	7.090	7.000	6.600		6.170	6.723	7.049
Chg. Consumer Install. Credit (Bil. \$)	6.2	5.4	10.9	11.3	11.7	5.3	-7.2	0.6	3.3		88.0	89.1	62.5
Prices and Wages													
CPI, All Urban Consumers	1.912	1.913	1.941	1.951	1.961	1.985	1.989	1.978	1.977		1.840	1.889	1.953
Percent Change Year Earlier	3.4	2.9	2.5	3.1	3.6	4.7	4.3	3.5	3.4		2.3	2.7	3.4
Core Cons. Price Defl. (2000=100.0)	108.1	108.4	109.2	109.3	109.4	109.7	109.8	110.1	110.2		105.1	107.2	109.3
Percent Change Year Earlier	2.2	2.2	1.9	1.9	2.0	2.0	1.9	1.9	1.9		1.3	2.0	2.0
PPI, Finished Goods	1.517	1.519	1.537	1.552	1.562	1.589	1.600	1.589	1.603		1.433	1.485	1.558
Percent Change Year Earlier	4.4	4.3	3.7	4.7	5.2	6.7	5.9	4.5	5.7		3.2	3.6	4.9
PPI, Industrial Commodities (NSA)	1.520	1.527	1.566	1.591	1.608	1.655	1.703	1.675	1.666		1.391	1.476	1.602
Percent Change Year Earlier	9.0	7.4	6.3	7.4	7.7	11.0	12.2	9.1	9.6		5.1	6.1	8.5
Avg. Private Hourly Earnings (\$)	15.84	15.88	16.07	16.14	16.16	16.19	16.28	16.28	16.34	16.41	15.35	15.67	16.10
Percent Change Year Earlier	2.5	2.6	2.7	2.9	2.7	2.7	3.1	3.0	3.2	3.3	2.7	2.1	2.8
West Texas Int. Crude Oil (\$/bbl.)	43.33	46.84	56.31	58.70	64.97	65.57	62.37	58.30	59.43	65.51	31.14	41.45	56.46
Percent Change Year Earlier	37.3	7.6	-4.9	5.0	18.1	9.1	3.8	-2.8	9.8	29.8	19.3	33.1	36.2
Henry Hub Spot Natural Gas (\$/mmbtu)	6.61	6.13	7.16	7.64	9.48	11.88	13.42	10.28	13.05	8.67	5.50	5.90	8.81
Percent Change Year Earlier	7.5	0.1	13.7	28.9	74.2	132.7	110.1	66.8	97.4	41.6	64.0	7.4	49.4
Financial Markets													
Federal Funds Rate (%)	2.16	2.28	3.04	3.26	3.50	3.62	3.78	4.00	4.16	4.29	1.13	1.35	3.21
3-Month T-Bill Rate (%)	2.19	2.33	2.97	3.22	3.44	3.42	3.71	3.88	3.97	4.34	1.01	1.37	3.15
Commercial Bank Prime Rate (%)	5.15	5.25	6.01	6.25	6.44	6.59	6.75	7.00	7.15	7.26	4.12	4.34	6.19
Moody's Aaa Corp. Bond Yield (%)	5.47	5.36	4.96	5.06	5.09	5.13	5.35	5.42	5.37	5.30	5.67	5.63	5.24
10-Year Treasury Note Yield (%)	4.23	4.22	4.00	4.18	4.26	4.20	4.46	4.54	4.47	4.42	4.02	4.27	4.29
Conv. Mortgage Rate, FHLMC (%)	5.75	5.71	5.58	5.70	5.82	5.77	6.07	6.33	6.27	6.15	5.82	5.84	5.87
M1 Money Supply (Bil. \$)	1372	1367	1370	1363	1370	1367	1369	1370	1369		1274	1345	1369
Percent Change	-0.1	-0.4	-0.1	-0.5	0.6	-0.2	0.1	0.1	-0.1		6.8	5.1	-0.2
M2 Money Supply (Bil. \$)	6422	6436	6518	6539	6569	6600	6630	6652	6680		6005	6278	6544
Percent Change	0.3	0.2	0.4	0.3	0.5	0.5	0.4	0.3	0.4		4.7	5.5	4.0
Trade-Weighted US\$, 18 Countries													
Morgan Guaranty Index (1990=100.0)	88.4	88.9	91.0	91.5	90.4	90.3	91.5	92.4	91.7		97.5	92.6	90.4
Percent Change	-1.1	0.6	1.1	0.6	-1.3	0.0	1.3	0.9	-0.7		-6.7	-5.0	-2.4
Percent Change Year Earlier	-5.4	-3.0	-3.5	-2.3	-3.7	-3.4	-0.6	3.3	3.8				
Real Morgan Guaranty Index	88.3	89.5	91.2	91.9	90.4	90.0	90.7	91.5	91.0		98.3	92.3	90.3
Percent Change	-0.5	1.3	1.0	0.8	-1.6	-0.4	0.8	0.8	-0.6		-7.4	-6.1	-2.2
Percent Change Year Earlier	-6.4	-3.2	-3.2	-1.4	-3.2	-3.0	-0.5	3.1	3.0				

TABLE 2

Summary of the U.S. Economy

	2005:3	2005:4	2006:1	2006:2	2006:3	2006:4	2007:1	2007:2	2007:3	2007:4	2008:1	2008:2	2008:3
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	4.1	1.1	4.8	3.1	3.1	2.5	2.4	3.1	2.6	2.8	2.8	3.1	3.1
Final Sales of Domestic Product	4.6	-0.3	4.6	3.2	3.1	2.4	2.4	3.1	2.6	2.9	2.8	3.1	3.1
Total Consumption	4.1	1.1	5.1	3.2	3.3	2.7	2.1	2.6	2.5	2.7	2.6	2.9	3.0
Durables	9.3	-17.5	20.4	0.0	6.2	4.4	0.4	3.5	2.5	3.4	2.9	4.5	5.4
Nondurables	3.5	5.1	4.5	3.5	2.8	1.7	1.7	2.5	2.3	2.3	2.1	2.7	2.6
Services	3.3	3.2	2.7	3.7	3.1	2.8	2.6	2.5	2.6	2.8	2.8	2.8	2.8
Nonresidential Fixed Investment	8.4	2.8	11.2	11.0	11.5	9.9	5.0	6.8	3.7	3.8	3.5	2.2	4.0
Equipment & Software	10.6	3.5	11.5	10.2	10.9	9.3	3.3	6.0	6.1	4.9	5.5	4.8	5.4
Information Processing Equipment	11.1	9.1	11.4	15.8	14.4	13.2	8.6	9.2	8.7	8.5	8.4	8.4	8.5
Computers & Peripherals	13.9	35.4	26.3	22.5	23.7	22.9	22.4	22.9	21.5	20.8	20.9	21.5	20.7
Communications Equipment	28.2	-8.2	9.2	15.1	12.9	13.5	7.6	7.6	7.9	8.1	7.9	6.7	6.2
Industrial Equipment	16.7	10.5	8.9	5.1	5.6	6.4	4.3	1.8	1.3	2.9	2.5	2.7	0.7
Transportation equipment	13.9	-17.7	21.1	3.2	10.7	7.0	-11.6	3.2	6.5	-1.6	4.0	-0.9	4.4
Aircraft	-21.8	-65.9	134.3	27.8	22.3	16.9	14.4	20.6	9.2	12.8	14.6	8.1	8.4
Other Equipment	1.3	5.1	5.8	6.7	6.3	3.6	3.1	3.4	2.8	2.4	1.8	2.1	2.0
Structures	2.2	0.7	10.4	13.4	13.3	11.4	9.8	9.2	-2.7	0.7	-2.0	-5.0	-0.2
Commercial & Health Care	1.7	-3.5	6.8	5.3	10.6	8.8	-0.3	8.7	15.1	12.6	-1.4	-3.1	-2.5
Manufacturing	-6.7	4.9	3.6	8.7	17.9	22.0	4.2	4.0	19.6	20.7	18.2	14.6	16.3
Power & Communication	-14.5	-13.6	22.8	22.8	12.9	11.6	26.9	14.4	-1.3	1.5	-0.6	-4.1	-2.6
Mining & Petroleum	17.7	16.1	11.8	26.8	20.7	14.5	16.7	13.6	-28.5	-20.7	-11.9	-21.0	-4.1
Other	-0.9	-4.0	11.5	5.3	4.3	7.0	11.7	1.2	2.0	2.1	1.2	3.5	4.1
Residential Fixed Investment	7.3	3.5	-6.2	-10.6	-7.7	-10.4	-4.3	-3.9	-4.3	-1.6	-2.1	-2.0	-2.8
Exports	2.5	2.4	7.9	8.2	7.1	7.9	8.7	9.1	10.0	9.7	10.0	9.9	10.1
Imports	2.4	9.1	9.0	3.9	7.0	6.7	3.4	3.1	3.5	3.8	3.2	2.9	4.7
Federal Government	7.5	-7.0	9.4	2.1	3.0	1.2	0.3	0.7	0.6	1.1	0.9	1.1	0.2
State & Local Government	0.2	0.4	1.9	0.8	1.9	2.2	2.6	1.5	1.2	1.2	0.5	1.6	2.2
Billions of Dollars													
Real GDP	11202.3	11233.5	11367.1	11453.9	11542.0	11613.7	11683.9	11772.2	11846.8	11928.8	12011.4	12104.2	12197.0
Nominal GDP	12605.7	12735.3	12974.8	13146.6	13315.2	13462.5	13608.8	13767.9	13914.6	14077.3	14256.7	14436.6	14618.6
Prices & Wages, Percent Change, Annual Rate													
GDP Deflator	3.3	3.0	2.6	2.2	2.1	1.9	1.9	1.7	1.7	1.9	2.3	2.0	2.0
Consumer Prices	5.1	3.2	1.5	1.4	1.7	2.0	1.8	1.8	1.9	2.1	2.1	1.9	2.0
Producer Prices, Finished Goods	7.6	7.8	-1.4	0.4	1.2	0.9	0.3	0.0	1.0	1.1	0.4	0.7	0.7
Employment Cost Index - Total Comp.	3.2	3.2	4.1	3.7	3.7	3.7	3.4	3.6	3.6	3.8	3.8	3.4	3.5
Other Key Measures													
Oil - WTI (\$ per barrel)	63.21	60.06	64.00	61.19	60.83	59.98	59.53	59.06	58.94	58.47	57.70	57.13	56.63
Productivity (%ch., saar)	4.5	-0.6	3.6	2.3	2.4	1.4	1.6	2.2	1.9	2.2	2.0	2.4	2.3
Total Industrial Production (%ch., saar)	1.4	3.8	5.7	2.9	3.3	3.0	2.6	2.5	1.8	1.6	2.4	2.6	2.7
Factory Operating Rate	78.5	79.6	79.9	79.9	79.9	79.8	79.4	79.3	79.1	78.9	78.7	78.8	78.8
Nonfarm Inven. Chg. (Bil. 2000 \$)	-8.1	30.6	38.7	33.5	31.8	33.2	33.2	33.3	32.0	29.8	29.1	29.9	31.1
Consumer Sentiment Index	87.5	82.4	91.0	92.6	94.0	94.0	94.0	93.8	92.8	92.2	91.6	91.9	92.2
Light Vehicle Sales (Mil. units, saar)	17.92	15.64	16.70	16.46	16.54	16.68	16.64	16.59	16.70	16.66	16.75	16.75	16.89
Housing Starts (Mil. units, saar)	2.101	2.035	2.038	1.881	1.838	1.835	1.824	1.819	1.809	1.800	1.781	1.762	1.748
Exist. House Sales (Total, Mil. saar)	7.240	6.897	6.570	6.396	6.210	6.181	6.107	6.085	5.909	5.908	5.831	5.826	5.769
Unemployment Rate (%)	5.0	4.9	4.8	4.8	4.7	4.8	4.8	4.8	4.9	4.9	4.9	5.0	5.0
Payroll Employment (%ch., saar)	1.6	1.2	1.6	1.7	1.5	1.5	1.4	1.3	1.1	1.2	1.1	1.2	1.1
Federal Surplus (Unified, nsa, bil. \$)	-69.0	-119.3	-126.4	-12.0	-109.4	-82.7	-74.7	-74.2	-77.2	-81.7	-82.2	-79.9	-84.7
Current Account Balance (Bil. \$)	-783.3	-898.4	-911.5	-915.9	-936.1	-951.9	-950.0	-943.2	-939.0	-936.0	-922.3	-901.7	-892.5
Financial Markets, NSA													
Federal Funds Rate (%)	3.46	3.98	4.43	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75
3-Month Treasury Bill Rate (%)	3.35	3.82	4.36	4.57	4.58	4.58	4.58	4.58	4.58	4.58	4.58	4.58	4.62
10-Year Treasury Note Yield (%)	4.21	4.49	4.57	4.84	4.90	4.90	4.90	4.92	5.00	5.09	5.14	5.21	5.28
30-Year Fixed Mortgage Rate (%)	5.75	6.22	6.22	6.41	6.45	6.45	6.45	6.47	6.55	6.64	6.72	6.80	6.87
S&P 500 Stock Index	1224	1230	1265	1272	1281	1281	1285	1290	1297	1309	1336	1367	1393
(Four-Quarter % change)	10.9	5.9	6.1	7.6	4.7	4.1	1.6	1.4	1.2	2.2	4.0	6.0	7.4
Exchange Rate, Major Trading Partners	0.833	0.845	0.833	0.818	0.801	0.784	0.770	0.757	0.747	0.738	0.728	0.724	0.723
(% change, annual rate)	5.6	5.8	-5.7	-6.8	-8.5	-7.9	-7.0	-6.6	-5.3	-4.8	-5.2	-2.2	-0.7
Incomes													
Personal Income (% ch., saar)	1.8	9.4	6.5	6.4	6.2	5.2	5.1	5.4	5.2	5.3	5.8	5.6	5.4
Real Disposable Income (%ch., saar)	-2.0	7.0	4.8	4.6	4.2	2.9	1.7	3.3	3.1	3.2	3.3	3.7	3.4
Saving Rate (%)	-1.8	-0.3	-0.4	-0.1	0.1	0.1	0.0	0.2	0.3	0.4	0.6	0.8	0.8
After-Tax Profits (Billions of \$)	1032	1138	1157	1156	1151	1144	1135	1134	1126	1121	1107	1117	1123
(Four-quarter % change)	36.0	37.0	13.9	11.2	11.5	0.5	-2.0	-1.8	-2.2	-2.0	-2.5	-1.5	-0.3

TABLE 3
Summary of the U.S. Economy

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Composition of Real GDP, Percent Change													
Gross Domestic Product	4.4	3.7	0.8	1.6	2.7	4.2	3.5	3.3	2.7	2.9	3.2	3.0	2.8
Final Sales of Domestic Product	4.5	3.8	1.6	1.2	2.7	3.9	3.8	3.1	2.7	2.9	3.1	3.0	2.8
Total Consumption	5.1	4.7	2.5	2.7	2.9	3.9	3.6	3.4	2.6	2.8	3.1	3.2	2.8
Durables	11.7	7.3	4.3	7.1	6.6	6.0	4.4	3.7	2.8	3.7	5.1	5.2	4.6
Nondurables	4.6	3.8	2.0	2.5	3.2	4.7	4.4	3.9	2.2	2.4	2.8	2.8	2.4
Services	4.0	4.5	2.4	1.9	2.0	3.0	2.9	3.1	2.8	2.8	3.0	3.0	2.7
Nonresidential Fixed Investment	9.2	8.7	-4.2	-9.2	1.3	9.4	8.5	9.0	7.1	3.7	4.7	4.2	3.6
Equipment & Software	12.7	9.4	-4.9	-6.2	3.2	11.9	10.8	9.4	6.7	5.4	5.9	5.2	4.6
Information Processing Equipment	21.2	17.4	-1.8	-4.7	5.1	13.6	13.1	12.4	10.7	8.5	8.8	8.2	7.8
Computers & Peripherals	41.0	21.1	2.0	5.0	12.7	27.6	32.7	25.3	22.5	21.1	20.2	19.0	18.2
Communications Equipment	19.2	30.0	-7.6	-21.1	-0.9	15.8	8.5	9.1	9.8	7.3	5.1	4.6	5.3
Industrial Equipment	-0.2	7.7	-8.5	-7.7	0.3	3.4	6.8	6.8	3.9	2.2	1.6	0.7	0.3
Transportation equipment	15.3	-4.1	-11.2	-11.8	-2.3	12.7	12.8	6.7	0.9	2.4	5.1	3.9	1.9
Aircraft	44.0	2.8	2.8	-28.6	-5.4	-10.2	-21.4	8.2	16.9	11.6	7.7	6.4	5.2
Other Equipment	0.8	3.6	-3.3	-3.1	6.3	14.8	6.5	5.9	3.8	2.3	1.9	1.5	1.3
Structures	-0.4	6.8	-2.3	-17.1	-4.2	2.2	1.9	8.0	8.3	-1.1	1.3	1.1	0.7
Commercial & Health Care	3.2	6.3	-5.3	-15.7	-6.4	2.2	0.0	4.1	7.4	3.2	0.4	1.1	1.2
Manufacturing	-22.5	-6.1	-10.3	-41.6	-7.4	4.8	15.6	5.8	12.2	17.5	18.5	10.1	7.3
Power & Communication	17.4	14.7	3.0	-2.4	-14.1	-11.7	-9.6	4.9	14.1	-0.4	0.5	5.0	0.7
Mining & Petroleum	-8.8	27.8	17.8	-23.3	17.4	16.4	16.5	19.0	7.3	-15.1	-7.2	-11.3	-11.3
Other	0.8	2.9	-4.7	-16.0	-4.1	0.5	-5.4	3.3	5.6	2.5	5.2	4.6	4.4
Residential Fixed Investment	6.0	0.8	0.4	4.8	8.4	10.3	7.2	-3.2	-6.1	-2.4	-1.9	0.6	1.6
Exports	4.3	8.7	-5.4	-2.3	1.8	8.4	6.7	6.3	8.6	9.9	9.3	7.6	7.5
Imports	11.5	13.1	-2.7	3.4	4.6	10.7	6.2	6.2	4.5	3.6	5.4	5.5	4.7
Federal Government	2.2	0.9	3.9	7.0	6.9	5.2	2.0	2.8	1.1	0.9	0.7	1.1	0.5
State & Local Government	4.7	2.7	3.2	3.1	0.6	0.4	1.5	1.3	1.9	1.3	1.9	1.4	1.5
Billions of Dollars													
Real GDP	9470.4	9817.0	9890.7	10048.9	10320.6	10755.7	11131.1	11494.2	11807.9	12153.0	12540.3	12911.2	13268.3
Nominal GDP	9268.4	9817.0	10128.0	10469.6	10971.3	11734.3	12479.5	13224.8	13842.2	14530.5	15303.7	16072.7	16844.2
Prices & Wages, Percent Change													
GDP Deflator	1.4	2.2	2.4	1.7	2.0	2.6	2.8	2.6	1.9	2.0	2.1	2.0	2.0
Consumer Prices	2.2	3.4	2.8	1.6	2.3	2.7	3.4	2.5	1.8	2.0	1.9	1.9	2.0
Producer Prices, Finished Goods	1.8	3.8	1.9	-1.3	3.2	3.6	4.9	2.5	0.6	0.7	0.4	0.4	0.5
Employment Cost Index - Total Comp.	3.2	4.5	4.1	3.8	4.0	3.9	3.0	3.6	3.6	3.6	3.6	3.6	3.5
Other Key Measures													
Oil - WTI (\$ per barrel)	19.27	30.35	25.96	26.11	31.12	41.47	56.56	61.50	59.00	56.92	53.55	50.33	48.75
Productivity (%ch.)	2.8	2.6	2.6	4.0	3.8	3.4	2.6	2.3	1.9	2.2	2.4	2.5	2.6
Total Industrial Production (%ch.)	4.5	4.3	-3.5	0.1	0.6	4.1	3.1	3.5	2.6	2.3	3.0	2.7	2.8
Factory Operating Rate	80.8	80.3	74.1	73.3	73.7	77.1	78.8	79.9	79.2	78.8	79.1	78.8	78.7
Nonfarm Inven. Chg. (Bil. 2000 \$)	71.5	57.8	-31.8	15.2	15.4	49.9	21.9	34.3	32.1	31.7	45.8	44.8	44.1
Consumer Sentiment Index	105.8	107.6	89.2	89.6	87.6	95.2	88.6	92.9	93.2	92.1	92.4	91.5	90.7
Light Vehicle Sales (Mil. units)	16.89	17.34	17.12	16.82	16.64	16.87	16.82	16.59	16.65	16.84	17.07	17.46	17.74
Housing Starts (Mil. units)	1.647	1.573	1.601	1.710	1.854	1.950	2.066	1.898	1.813	1.755	1.692	1.680	1.683
Exist. House Sales (Total, Mil. units)	5.182	5.319	5.653	6.170	6.723	7.048	6.338	6.002	5.782	5.710	5.901	6.024	6.024
Unemployment Rate (%)	4.2	4.0	4.7	5.8	6.0	5.5	5.1	4.8	4.9	4.9	4.9	4.9	5.0
Payroll Employment (%ch.)	2.4	2.2	0.0	-1.1	-0.3	1.1	1.5	1.5	1.4	1.1	1.1	0.8	0.6
Federal Surplus (Unified, FY, bil. \$)	124.4	236.9	127.3	-157.8	-377.1	-412.8	-318.5	-367.1	-308.9	-328.4	-317.1	-306.7	-290.9
Current Account Balance (Bil. \$)	-300.1	-416.0	-389.5	-475.2	-519.7	-668.1	-816.9	-928.8	-942.0	-902.6	-885.6	-891.7	-884.8
Financial Markets, NSA													
Federal Funds Rate (%)	4.97	6.24	3.89	1.67	1.13	1.35	3.21	4.67	4.75	4.81	5.00	5.23	5.2
3-Month Treasury Bill Rate (%)	4.63	5.81	3.43	1.61	1.01	1.36	3.14	4.53	4.58	4.65	4.86	4.98	4.98
10-Year Treasury Note Yield (%)	5.64	6.03	5.02	4.61	4.02	4.27	4.29	4.80	4.98	5.28	5.55	5.75	5.75
30-Year Fixed Mortgage Rate (%)	7.43	8.06	6.97	6.54	5.82	5.84	5.86	6.38	6.53	6.86	7.15	7.39	7.39
S&P 500 Stock Index	1326	1427	1192	996	964	1131	1207	1275	1295	1378	1463	1562	1683
(Percent change)	22.3	7.6	-16.4	-16.5	-3.2	17.3	6.8	5.6	1.6	6.4	6.1	6.8	7.7
Exchange Rate, Major Trading Partners	0.953	1.000	1.060	1.044	0.916	0.840	0.825	0.809	0.753	0.725	0.742	0.750	0.746
(Percent change)	-1.6	4.9	6.0	-1.5	-12.2	-8.2	-1.8	-2.0	-6.9	-3.7	2.3	1.0	-0.4
Incomes													
Personal Income (% ch.)	5.1	8.0	3.5	1.8	3.2	5.9	5.4	6.2	5.4	5.5	5.8	5.6	5.1
Real Disposable Income (%ch.)	3.0	4.8	1.9	3.1	2.4	3.4	1.4	3.8	3.0	3.4	3.5	3.3	2.7
Saving Rate (%)	2.4	2.4	1.8	2.4	2.1	1.7	-0.5	-0.1	0.3	0.8	1.0	1.1	1.0
After-Tax Profits (Billions of \$)	517	508	504	576	705	788	1057	1152	1129	1117	1118	1116	1154
(Percent change)	10.1	-1.7	-0.9	14.3	22.4	11.8	34.0	9.0	-2.0	-1.1	0.1	-0.1	3.4

TABLE 4

Alternative Scenarios of the U.S. Economy

	2005:4	2006:1	2006:2	2006:3	2006:4	2007:1	2005	2006	2007	2008	2009	2010	2011
Growth Surges Higher Again (Prob. = 20%)													
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	1.1	5.6	4.6	4.4	3.6	3.3	3.5	4.0	3.7	3.5	3.6	3.2	3.0
Total Consumption	1.1	5.5	4.3	4.5	3.7	2.9	3.6	3.9	3.5	3.4	3.6	3.4	3.0
Nonresidential Fixed Investment	2.8	13.2	13.6	14.4	14.8	10.5	8.5	10.7	11.7	6.4	6.3	4.9	4.2
Residential Fixed Investment	3.5	0.7	-0.7	0.3	-5.5	-1.2	7.2	1.9	-2.1	-1.5	-2.4	0.3	1.1
Exports	2.4	7.6	8.5	7.8	7.6	8.2	6.7	6.4	8.5	10.2	9.9	8.3	8.2
Imports	9.1	11.2	7.3	11.2	10.5	6.7	6.2	8.2	7.5	4.8	6.1	5.8	4.9
Federal Government	-7.0	9.4	2.1	3.0	1.2	0.3	2.0	2.8	1.1	0.9	0.7	1.1	0.5
State & Local Government	0.4	2.0	1.0	2.1	2.7	3.2	1.5	1.4	2.4	1.6	2.0	1.5	1.5
Prices & Wages, Percent Change, Annual Rate													
Consumer Prices	3.2	0.7	0.1	1.2	1.6	1.4	3.4	1.9	1.4	1.6	1.5	1.5	1.6
Producer Prices, Finished Goods	7.8	-3.4	-1.7	0.2	0.4	-0.1	4.9	1.4	0.0	0.3	0.0	0.0	0.0
Employment Cost Index - Total Comp.	3.2	4.0	3.6	3.5	3.6	3.3	3.0	3.5	3.5	3.7	3.6	3.5	3.4
Other Key Measures													
Oil - WTI (\$ per barrel)	60.06	60.27	53.69	53.33	52.48	52.03	56.56	54.94	51.50	49.42	46.05	42.83	41.25
Productivity (%ch., saar)	-0.6	4.5	3.4	2.9	1.7	1.8	2.6	2.8	2.2	2.4	2.8	2.8	3.0
Manufacturing Production (%ch., saar)	3.8	5.8	4.4	4.7	4.0	3.1	3.1	4.1	3.3	2.7	3.2	2.9	3.0
Nonfarm Inven. Chg. (Bil. 2000 \$)	30.6	44.9	50.9	55.0	59.5	60.9	21.9	52.6	54.5	42.5	54.8	52.4	50.7
Consumer Sentiment Index	82.4	92.5	96.8	99.1	100.1	100.5	88.6	97.1	99.6	98.5	98.2	96.1	94.3
Light Vehicle Sales (Mil. units, saar)	15.64	16.73	16.71	17.04	17.34	17.39	16.82	16.95	17.46	17.77	18.04	18.33	18.56
Housing Starts (Mil. units, saar)	2.035	2.122	2.036	2.014	2.024	2.024	2.066	2.049	2.017	1.952	1.860	1.828	1.812
Unemployment Rate (%)	4.9	4.7	4.7	4.5	4.4	4.4	5.1	4.6	4.3	4.3	4.2	4.2	4.5
Payroll Employment (%ch., saar)	1.2	1.8	2.3	2.2	2.1	2.0	1.5	1.8	2.0	1.5	1.2	0.8	0.4
Federal Surplus (Unified, FY, bil. \$)	-119.3	-123.9	-5.7	-99.6	-70.0	-58.1	-318.5	-348.5	-241.6	-243.0	-224.7	-217.0	-213.8
Financial Markets, NSA													
Federal Funds Rate (%)	3.98	4.42	4.50	4.50	4.50	4.50	3.21	4.48	4.50	4.50	4.50	4.73	4.75
10-Year Treasury Note Yield (%)	4.49	4.56	4.66	4.70	4.67	4.65	4.29	4.65	4.70	4.91	5.06	5.26	5.26
Incomes													
Personal Income (% ch., saar)	9.4	6.7	7.0	6.8	5.8	5.5	5.4	6.5	5.9	5.7	5.6	5.4	4.7
After-Tax Profits (Four-qr.% change)	37.0	15.0	14.6	16.4	5.2	1.6	34.0	12.6	-1.3	-2.9	-1.2	-1.9	1.9
Stagflation (Prob. = 25%)													
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	1.1	3.6	2.2	2.5	0.9	1.0	3.5	2.6	1.3	1.9	2.6	2.4	2.4
Total Consumption	1.1	3.7	2.4	2.7	0.6	0.4	3.6	2.7	0.9	1.2	2.1	2.5	2.2
Nonresidential Fixed Investment	2.8	8.2	8.4	11.4	9.4	0.8	8.5	7.8	4.3	0.4	3.6	4.4	4.3
Residential Fixed Investment	3.5	-6.9	-14.1	-16.6	-17.8	-12.0	7.2	-5.7	-15.4	-9.5	1.4	2.9	3.5
Exports	2.4	7.1	7.7	6.8	7.3	7.7	6.7	5.9	7.6	8.3	8.3	6.2	6.6
Imports	9.1	6.0	0.5	3.7	2.7	-2.5	6.2	4.2	-1.0	-1.5	5.0	6.0	5.0
Federal Government	-7.0	9.4	2.1	3.0	1.2	0.3	2.0	2.8	1.1	0.9	0.7	1.1	0.5
State & Local Government	0.4	1.9	0.9	1.9	2.1	2.3	1.5	1.3	1.6	0.7	1.7	1.4	1.5
Prices & Wages, Percent Change, Annual Rate													
Consumer Prices	3.2	4.0	3.2	2.4	3.2	3.0	3.4	3.6	2.8	2.7	2.9	2.9	2.9
Producer Prices, Finished Goods	7.8	3.3	4.1	2.4	3.1	2.5	4.9	4.7	2.2	1.5	1.7	1.5	1.3
Employment Cost Index - Total Comp.	3.2	4.3	3.9	4.0	4.0	4.0	3.0	3.7	4.0	3.8	3.9	4.0	4.0
Other Key Measures													
Oil - WTI (\$ per barrel)	60.06	70.48	75.38	75.05	75.41	76.13	56.56	74.08	71.71	64.42	61.05	57.83	56.25
Productivity (%ch., saar)	-0.6	2.5	1.9	2.3	0.5	1.0	2.6	1.9	1.3	2.0	1.9	1.7	2.0
Manufacturing Production (%ch., saar)	3.8	4.8	0.8	1.9	0.9	0.4	3.1	2.6	0.6	1.2	1.8	1.0	1.7
Nonfarm Inven. Chg. (Bil. 2000 \$)	30.6	29.6	14.6	10.6	6.9	-1.4	21.9	15.4	-8.6	2.7	38.8	33.7	36.1
Consumer Sentiment Index	82.4	86.6	86.7	88.1	86.0	84.7	88.6	86.8	83.1	82.3	85.6	84.9	84.6
Light Vehicle Sales (Mil. units, saar)	15.64	16.51	15.92	15.76	15.58	15.19	16.82	15.94	14.91	14.88	15.45	15.90	16.21
Housing Starts (Mil. units, saar)	2.035	2.014	1.764	1.683	1.672	1.615	2.066	1.783	1.574	1.568	1.593	1.602	1.604
Unemployment Rate (%)	4.9	4.8	4.9	5.0	5.1	5.3	5.1	5.0	5.6	6.1	6.0	5.9	6.0
Payroll Employment (%ch., saar)	1.2	1.3	1.3	1.1	0.7	0.6	1.5	1.3	0.6	0.3	0.9	0.8	0.6
Federal Surplus (Unified, FY, bil. \$)	-119.3	-126.9	-16.6	-119.4	-98.1	-98.8	-318.5	-382.2	-414.9	-525.6	-532.1	-525.7	-523.6
Financial Markets, NSA													
Federal Funds Rate (%)	3.98	4.45	5.54	6.00	6.11	6.50	3.21	5.53	7.05	7.40	6.44	6.19	6.00
10-Year Treasury Note Yield (%)	4.49	5.02	6.25	6.96	7.24	7.06	4.29	6.37	6.53	5.73	6.27	6.47	6.87
Incomes													
Personal Income (% ch., saar)	9.4	6.1	6.6	6.8	5.4	5.4	5.4	6.2	5.6	5.5	6.2	6.3	5.8
After-Tax Profits (Four-qr.% change)	37.0	14.5	8.1	4.5	-8.2	-12.3	34.0	4.4	-9.6	1.9	5.0	0.9	4.1



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U.S. Macro Outlook



By Mark Zandi in West Chester
February 8, 2006

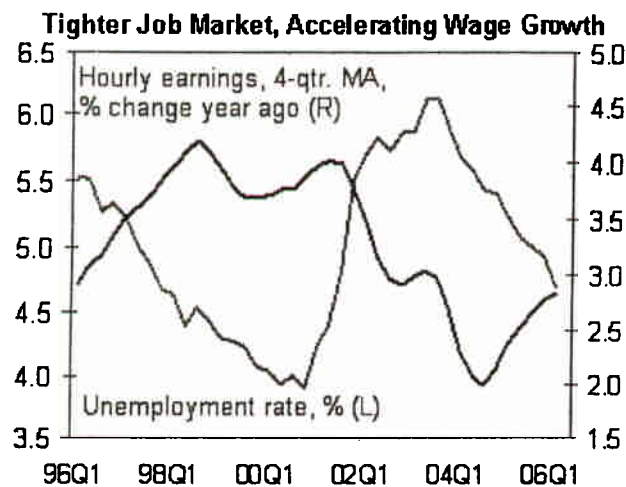
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- Economic growth remains strong in 2006.
- The tighter labor market will put upward pressure on inflation.
- Housing and consumer spending will fade as sources of growth, trade will gradually become a positive.
- The mortgage-backed securities market presents a risk to the economy as housing slows.

The economy continues to expand strongly. The fourth quarter pause in growth notwithstanding, underlying real GDP is expanding at 3.5% to 4%. This is measurably above the economy's estimated potential growth rate of 3.25%.

This is evident in the job market. Monthly job gains over the past year have averaged 175,000 and during the past three months have accelerated to 225,000. This is well above the no more than 150,000 jobs needed each month to maintain a stable jobless rate. Indeed, the unemployment rate has fallen a half a percentage point over the past year to 4.7%.

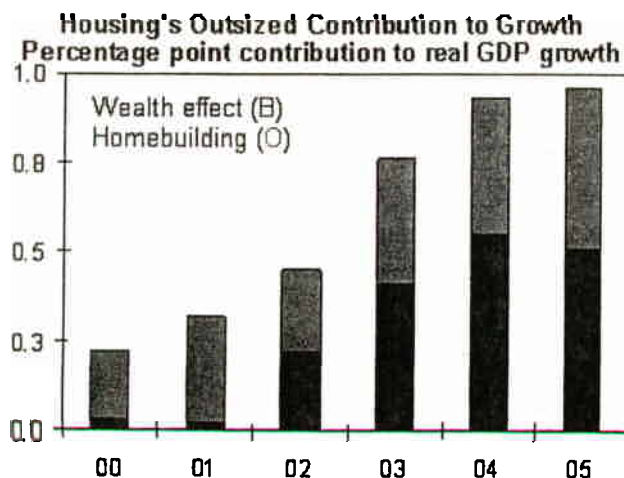
The job market is operating at full capacity. Average hourly earnings, which were expanding at a less than 2% pace when the job market was at its weakest in late 2003, are now advancing at a 3% year-over-year pace. Labor compensation more broadly is still expanding modestly, but growth is no longer decelerating.



Firmer labor compensation growth combined with a seeming slowdown in productivity growth suggests that inflationary pressures are building. Adding to these pressures are prices for energy goods and other commodities that are persistently near record highs. While underlying inflation is still low at near 2%, it appears set to soon move higher.

Policymakers recognize this and continue to tighten monetary policy. Another quarter point hike in the federal funds rate target is widely expected in March, which would bring the rate to 4.75%, and expectations for a further move in May are rising. Just how much more Fed tightening will occur depends in part on whether long-term interest rates rise further. If 10-year Treasury yields remain stuck at their current 4.5%, even more tightening would be needed to slow growth and head off accelerating inflation. The yield curve would fully invert.

Sources of growth. Rising interest rates are prompting a shift in the sources of growth. The housing market is quickly turning from the economy's principal source of growth to a drag. Through new homebuilding and mortgage equity withdrawal-fueled consumer spending, housing added a full percentage point to growth in 2005. Nearly one-third of the economy's growth last year was thus directly or indirectly due to housing.

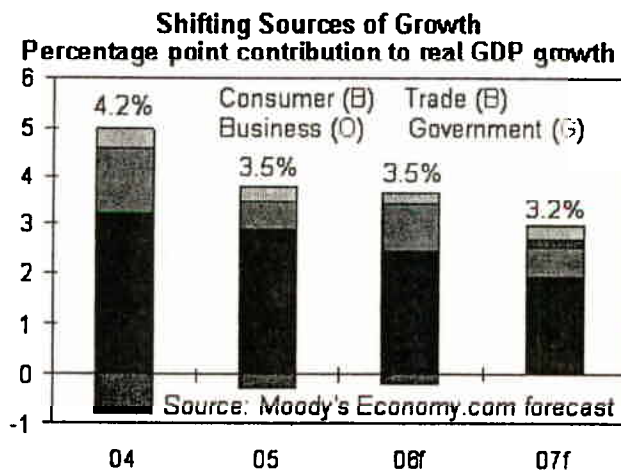


That housing has peaked is clearest in the condominium market. Condo sales are off 10% from last summer's record high and prices have essentially gone flat. The condo market had been the center of much of the speculative activity in housing. Sales of existing homes have also weakened, and inventories of unsold homes have spiked. Unsold inventory was over 2.5 million units in December, compared to closer to two million units a year ago, and 1.75 million units at the start of the decade before activity really got going.

Mortgage equity withdrawal is also rapidly cooling off. Home equity lines outstanding have actually fallen since the summer after soaring more than 40% on a year-ago basis just the year before. Cash-out refinancing activity has also moderated. With weaker gains in cash flow, consumers are turning a bit more cautious in their spending.

To date, a more stable trade balance has made up for softer housing activity and consumer spending. The nation continues to bleed red ink in its trade, but increasingly less so. Indeed, the balance, outside of trade with China and in energy and other commodities, is no longer eroding. This reflects the steady decline in the dollar vis-à-vis the euro, pound, and Canadian dollar earlier in the decade.

Key to further improvements in trade is China's currency policy. The yuan has appreciated nearly 3% since the Chinese adopted a managed float last summer, and by even more on a real basis. Another 5% to 10% real appreciation is anticipated over the coming year. This will also allow other Asian currencies, including the Japanese yen, to appreciate. If the Chinese follow such a script, trade may even become a modest source of growth by 2007.



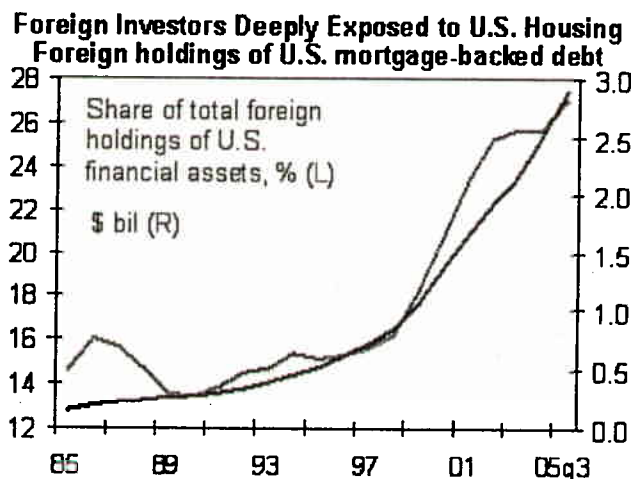
Annualized real GDP growth for the fourth quarter was a disappointing 1.1%, but that number is likely to see a large upward revision, at least one percentage point. The assumptions the BEA used in calculating net exports seem overly pessimistic; the investment numbers also appear weak. Recently released data on construction and factory orders also were put to an upward revision in the fourth quarter.

Growth should bounce back in the first quarter of this year, to above 4.5% annualized. Business investment will see much stronger growth after a weak fourth

quarter, and government spending should be a positive, after timing issues made it a negative in the fourth quarter. Consumer spending should also see much stronger growth as vehicle sales rebound from a large decline. Additional inventory building will also add to growth in the first quarter.

Bump or two. Transitions in the sources of growth have historically not occurred without a proverbial bump or two. In the mid-1990s, when the economy was approximately at the same place in the business cycle, it stumbled as rising global interest rates prompted various financial stresses such as the Orange County, California bankruptcy, and the Mexican peso crisis. The expansion continued on, but not without significant hand-wringing.

Today's economic fault line lies in the burgeoning mortgage-backed securities market. Global investors have financed the nation's soaring housing activity via their booming demand for mortgage-backed bonds. MBS outstanding has nearly doubled since the start of the decade, accounting for over one-half of total residential mortgage debt outstanding. Foreign investors now own nearly \$3 trillion in MBS, accounting for more than one-fourth of their total financial holdings in the U.S. Higher yields and very good credit performance, at least to date, have attracted investors to MBS.



Credit quality is sure to weaken as housing activity and house price gains cool. In the nation's heretofore most hyped-up markets—the Northeast, Florida, California, and Mountain West—house prices are very likely to decline. At least some of the recent homeowners who have taken on exotic mortgage loans with little in the way of a down payment to squeeze into a home are at clear risk of having difficulty in making their loan payments. Given that many global investors are new to the U.S. MBS market, they may not be prepared for a weakening in credit quality. A financial market crisis of some form is a distinct possibility.

The economic fallout of this scenario could be debilitating if the free flow of credit, so vital to a well-functioning housing market, is short-circuited. What would be a small disruption to the economy could quickly turn into a major problem.

Chairman Bernanke. While this remains a very unlikely scenario, it should not be

completely discounted. Adding to the concern is that it would be a substantial test of the new Federal Reserve Chairman. Arguably Chairman Greenspan's greatest strength was his ability to navigate through such crises, beginning with the 1987 stock market crash and extending through to the 9/11 attacks and the Iraq War. His ability seemed rooted in his wide-ranging experience on Main Street, Wall Street and in government prior to his tenure at the Fed. Chairman Bernanke's experience has been largely in academia and is much more limited.

It is encouraging to note that analysts voiced the same concerns when Greenspan replaced the revered Paul Volcker as Chairman of the Federal Reserve in 1987. He was tested early on in his tenure and succeeded in establishing the credentials that served him well for the next two decades. With a sound economic backdrop providing support, Chairman Bernanke will likely perform as admirably.

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Forecast Date: 02/06/2006

An "F" after a date denotes a forecast data point.

	Units	05Q4	06Q1 F	06Q2 F	06Q3 F	06Q4 F		2005	2006 F
Composition of Economic Activity-SAAR									
Gross Domestic Product	bcw\$	11233.5	11362.3	11472.7	11576.4	11669.4		11131.1	11520.2
Change	%AR	1.1	4.7	3.9	3.7	3.3		3.5	3.5
Personal Expenditures									
Consumption	bcw\$	7930.2	8020.7	8080.4	8141.5	8202.8		7858.1	8111.4
Change	%AR	1.1	4.6	3.0	3.1	3.0		3.6	3.2
Durables	bcw\$	1114.7	1153.3	1158.4	1165.3	1167.0		1137.6	1161.0
Change	%AR	-17.5	14.6	1.8	2.4	0.6		4.4	2.1
Motor Vehicles	bcw\$	411.3	443.9	445.6	448.8	446.5		451.7	446.2
Change	%AR	-44.9	35.7	1.6	2.9	-2.0		-1.2	-1.2
Nondurables	bcw\$	2334.7	2348.0	2361.7	2375.3	2388.9		2298.0	2368.5
Change	%AR	5.1	2.3	2.4	2.3	2.3		4.4	3.1
Services	bcw\$	4489.1	4527.8	4568.6	4609.2	4655.3		4438.0	4590.2
Change	%AR	3.2	3.5	3.7	3.6	4.1		2.9	3.4
Investment									
Fixed Investment	bcw\$	1935.9	1957.4	1983.1	2006.7	2024.6		1896.1	1993.0
Change	%AR	3.0	4.5	5.4	4.8	3.6		8.0	5.1
Nonresidential	bcw\$	1314.2	1335.4	1358.3	1376.8	1398.0		1287.6	1367.1
Change	%AR	2.8	6.6	7.0	5.5	6.3		8.5	6.2
Structures	bcw\$	254.5	257.7	263.9	266.5	270.8		253.1	264.7
Change	%AR	0.6	5.2	9.9	4.0	6.6		1.9	4.6
Equipment	bcw\$	1076.7	1094.8	1111.6	1127.4	1144.3		1049.8	1119.5
Change	%AR	3.5	6.9	6.3	5.8	6.1		10.8	6.6
Residential	bcw\$	615.2	615.5	618.3	623.4	620.1		602.1	619.3
Change	%AR	3.5	0.2	1.8	3.4	-2.1		7.2	2.9
Single Family	bcw\$	337.4	335.9	336.7	340.5	338.2		327.5	337.8
Change	%AR	10.6	-1.7	1.0	4.6	-2.7		6.5	3.1
Multifamily	bcw\$	39.3	40.6	41.3	41.5	41.1		38.4	41.1
Change	%AR	6.3	13.7	7.8	1.3	-3.4		15.7	7.1
Other	bcw\$	237.9	238.4	239.6	240.7	240.1		235.8	239.7
Change	%AR	-6.6	0.9	1.9	1.9	-1.1		6.8	1.7
Inventory Change	bcw\$	25.7	36.5	47.7	55.1	58.7		17.2	49.5
NonFarm	bcw\$	30.6	35.5	46.7	54.1	57.7		21.9	48.5
Farm	bcw\$	-3.8	1.0	1.0	1.0	1.0		-3.7	1.0
Trade									
Net Exports	bcw\$	-650.3	-654.6	-653.0	-650.3	-647.6		-631.9	-651.4

Exports	bcw\$	1209.8	1234.7	1259.0	1279.8	1300.0		1193.3	1268.4
Change	%AR	2.4	8.5	8.1	6.8	6.5		6.7	6.3
Merchandise	bcw\$	855.9	875.8	895.4	911.8	926.6		839.0	902.4
Change	%AR	3.8	9.6	9.3	7.5	6.6		7.1	7.6
Services	bcw\$	354.0	358.9	363.6	368.0	373.4		354.3	366.0
Change	%AR	-0.9	5.6	5.3	4.9	6.0		6.0	3.3
Imports	bcw\$	1860.1	1889.3	1912.0	1930.1	1947.6		1825.2	1919.8
Change	%AR	9.1	6.4	4.9	3.8	3.7		6.2	5.2
Merchandise	bcw\$	1583.3	1607.0	1626.0	1640.6	1654.6		1549.9	1632.1
Change	%AR	10.0	6.1	4.8	3.6	3.5		6.7	5.3
Services	bcw\$	278.3	282.3	286.1	289.6	292.9		276.6	287.7
Change	%AR	4.3	5.9	5.4	5.0	4.7		3.5	4.0
Government									
Expenditures and Investment	bcw\$	1986.2	1996.4	2008.6	2017.6	2025.0		1985.1	2011.9
Change	%AR	-2.4	2.1	2.5	1.8	1.5		1.7	1.4
Federal Defense	bcw\$	486.2	488.1	490.3	492.2	492.4		492.2	490.8
Change	%AR	-13.1	1.6	1.8	1.5	0.2		2.3	-0.3
Federal Nondefense	bcw\$	249.7	253.6	256.2	255.6	254.8		245.9	255.1
Change	%AR	6.9	6.5	4.1	-0.9	-1.2		1.6	3.7
Government Balance									
NIPA Basis	b\$	-304.8	-271.7	-260.0	-243.8	-221.4		-328.9	-249.2
Unified Budget	b\$ FY	-319.7	-244.8	-306.5	-316.7	-268.8		-318.5	-316.7
Consumers									
Personal Saving Rate	%AR	-0.1	-0.5	-0.2	-0.1	-0.0		-0.4	-0.2
Retail Sales & Food Services	b\$	4263.1	4348.2	4404.7	4464.7	4511.0		4183.8	4432.1
Change	%AR	2.3	8.2	5.3	5.6	4.2		7.6	5.9
Vehicle Sales	m	15.8	16.3	16.4	16.5	16.4		16.9	16.4
Housing Starts	m	2.03	1.98	1.95	1.92	1.82		2.06	1.92
Producers									
Industrial Production	1992=100	109.0	109.7	110.5	111.3	112.0		108.0	110.9
Change	%AR	3.8	2.4	3.1	3.0	2.6		3.1	2.7
Manufacturing Capacity Utilization	%	79.3	79.4	79.8	80.1	80.2		78.4	79.9
Labor Markets									
Total Employment	m	134.3	134.9	135.5	136.2	136.7		133.6	135.8
Change	%AR	1.0	1.8	1.9	1.9	1.5		1.6	1.6
Unemployment Rate	%	4.9	4.9	4.9	4.9	4.9		5.1	4.9
Prices									
Consumer Price Index	1982=100	198.1	199.9	201.1	202.6	204.0		195.3	201.9
Change	%AR	3.2	3.5	2.5	3.0	2.9		3.4	3.4
Producer Price Index	1982=100	164.2	165.8	166.7	167.6	168.4		157.4	167.1
Change	%AR	14.9	4.0	2.2	2.0	2.1		7.3	6.2
West Texas Intermediate	\$/Bbl	60.0	65.1	58.9	55.7	52.2		56.5	58.0

Financial Markets									
Federal Funds	%	3.98	4.41	4.75	4.75	4.75		3.21	4.66
Prime Rate	%	6.97	7.41	7.75	7.75	7.75		6.19	7.66
10-Year Treasury	%	4.49	4.62	5.02	5.39	5.34		4.29	5.09
FRB Broad Index	Jan 97=100	112.0	109.5	109.3	109.0	108.2		110.8	109.0
Change	%AR	3.1	-8.5	-0.8	-1.1	-2.9		-2.5	-1.6

	Units	04Q1	04Q2	04Q3	04Q4	05Q1	05Q2	05Q3	05Q4
Contribution to Real GDP									
Personal Consumption Expenditure	%AR	3.3	1.4	3.1	3.1	2.5	2.4	2.9	0.8
Gross Private Domestic Investment	%AR	1.1	2.3	1.4	1.2	1.2	1.6	1.4	0.5
Inventories	%AR	0.5	0.9	-0.6	-0.0	0.3	-2.3	-0.4	1.4
Net Exports	%AR	-1.3	-1.5	-0.2	-1.1	-0.4	1.2	-0.1	-1.2
Exports	%AR	0.5	0.7	0.6	0.7	0.8	1.1	0.3	0.3
Imports	%AR	1.8	2.2	0.8	1.8	1.2	-0.0	0.4	1.4
Government	%AR	0.6	0.4	0.3	0.2	0.3	0.5	0.5	-0.4
Total	%AR	4.2	3.5	4.0	3.3	3.9	3.3	4.2	1.1

This analysis can be found on The Dismal Scientist at:
<http://www.economy.com/dismal/pro/data/outlook.asp?type=>

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Newsweek

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Anxiety Amid The Prosperity

A competitive economy enhances overall stability, even though it may mean job losses and disappointments to many. That's our dilemma.

By Robert J. Samuelson
Newsweek

Feb. 20, 2006 issue - A puzzle of our time is why the economy has become increasingly stable while individual industries have become increasingly unstable. The continuing turmoil at General Motors and Ford simply reflects this more pervasive industrial instability—also in airlines, telecommunications, pharmaceuticals and the mass media, among others. Hardly a week passes without layoffs from some major company, which is "downsizing," "restructuring" or "outsourcing." And yet, the broader economy has undeniably become more stable. Since 1982, we've had only two recessions, lasting a combined year and four months, with peak unemployment of 7.8 percent (June 1992). By contrast, in the previous 13 years, we had four recessions lasting altogether about four years and having unemployment as high as 10.8 percent (November, December 1982).

A cottage industry of economists is now cranking out studies on these questions. One intriguing theory—completely counterintuitive—is that the greater overall stability stems in part from the increased *instability* of individual industries. You would, of course, expect the opposite: as individual industries became less stable, so would the larger economy. But the reality may be more complex. Different industries may go through cycles that are disconnected from each other, argue economists Diego Comin and Thomas Philippon of New York University. All don't rise and fall simultaneously. To simplify slightly: housing, autos and farming might strengthen, while computers, airlines and chemicals weaken.

Assuming there's something to this theory—which seems a good bet—it helps explain the riddle of why there's so much anxiety amid so much prosperity. As Americans stock up on BlackBerrys and flat-screen TVs, it's hard to deny the affluence. But people also look to their employers for a sense of confidence about the future—and here doubts have multiplied, because more companies and industries seem assailed by menacing forces.

We can all identify the usual suspects. Globalization. Deregulation. Greater domestic competition. In a series of papers, Comin, Philippon and various colleagues have shown that—for most businesses sales, profits and employment have all become more volatile in recent decades. They bounce around more from year to year, suggesting greater industry instability. Competitive pressures have dramatically intensified. One telling statistic: in 1980, a firm in the top fifth of its industry had about a one-in-10 chance of losing that position within a five-year period; by 1998, the odds had increased to one in four.

Feeling threatened, corporate managers have altered pay and employment practices. In 1994, economists Peter Gottschalk of Boston College and Robert Moffitt of Johns Hopkins University showed that annual wage gains also had begun to bounce around more in the 1980s (in technical lingo, there was more variation around the average). Now Comin and Erica Groshen of the Federal Reserve Bank of New York and Bess Rabin of Watson Wyatt Worldwide have connected these erratic wage increases to firms' fluctuating fortunes. In good years, companies enlarge the pot for wage and salaries, says Groshen; in bad years, the pot grows less or shrinks. About four fifths of big U.S. firms also resort more to bonuses, personal incentives and stock options, reports Hewitt Associates.

The same sort of cost-conscious behavior also leads to more layoffs, even among career workers. In 1983, 58 percent of men 45 to 49 had been with their current employer 10 years or more, reports the Bureau of Labor Statistics. By 2004, the comparable figure was 48 percent. Little wonder that we have rising job insecurity, despite lower average unemployment.

Not by accident do many of these trends begin, or strengthen, in the 1980s. From 1980 to 1983, the Federal Reserve crushed inflation, which fell from 12.5 percent to 3.8 percent. Inflation dulls competition. Sloppy managers can simply raise prices. Because most companies are rapidly increasing prices, customers have a harder time discriminating. Inflation also comes to dominate the business cycle. It overwhelms other influences. Once inflation declined, competition—based on prices, new products and technologies—intensified. Differences among sectors became more pronounced.

So we return to the original puzzle: why does an economy of greater stability have industries of lesser stability? The answer is competition. An intensely competitive economy enhances overall stability by holding down inflation (which is itself destabilizing) and spreading economic disruptions throughout the business cycle (rather than letting them accumulate for periodic, massive downturns). But the solution to one problem creates other, though smaller, problems. Except during unsustainable booms, say, the late 1990s, even good times are punctuated with insecurities, disappointments, job losses, broken promises and shattered expectations. What may be good for us as a society may hurt many of us as individuals. The unending challenge is to find some system of social protections that help the most vulnerable without frustrating desirable, if sometimes painful, change.

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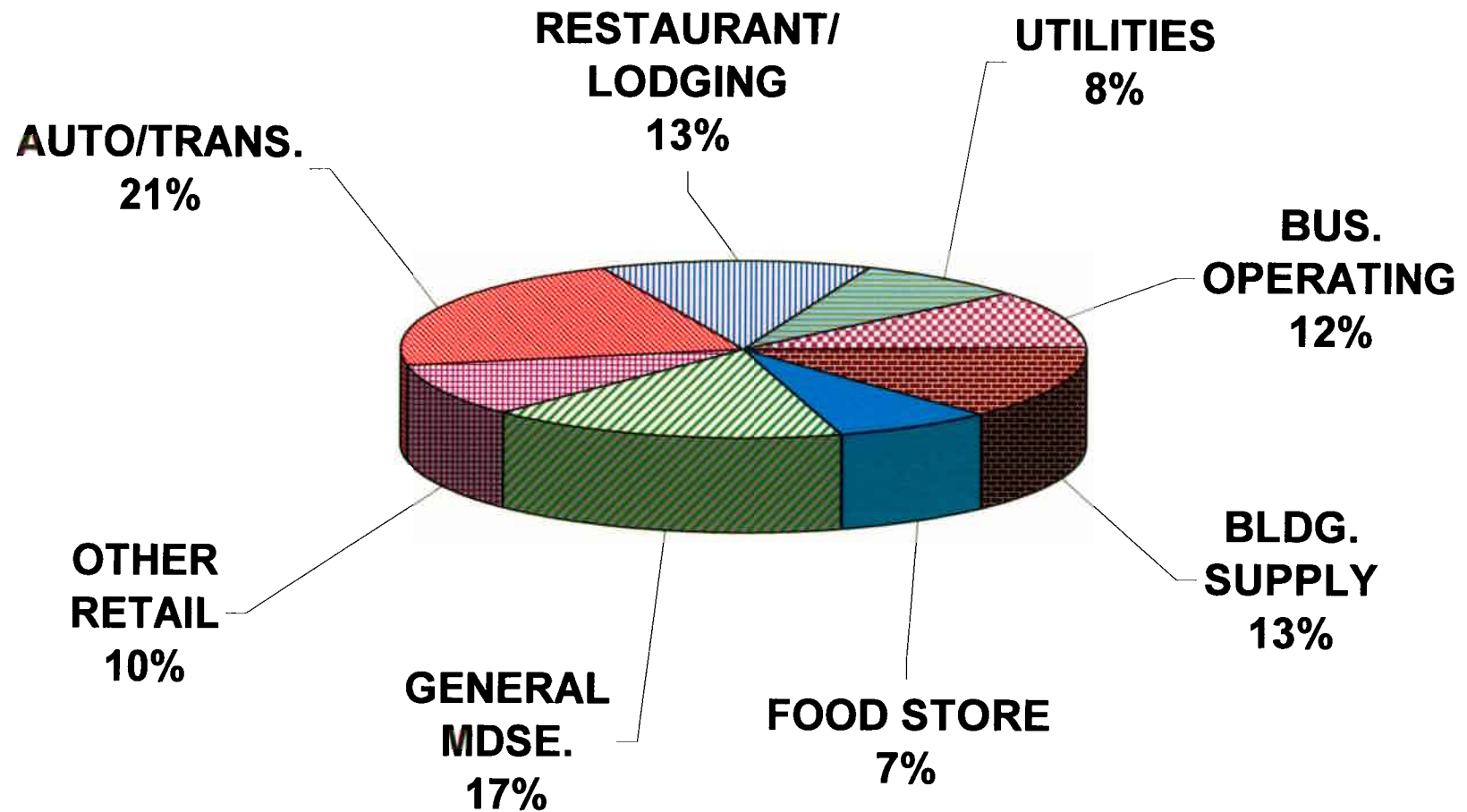
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Sales & Use Tax

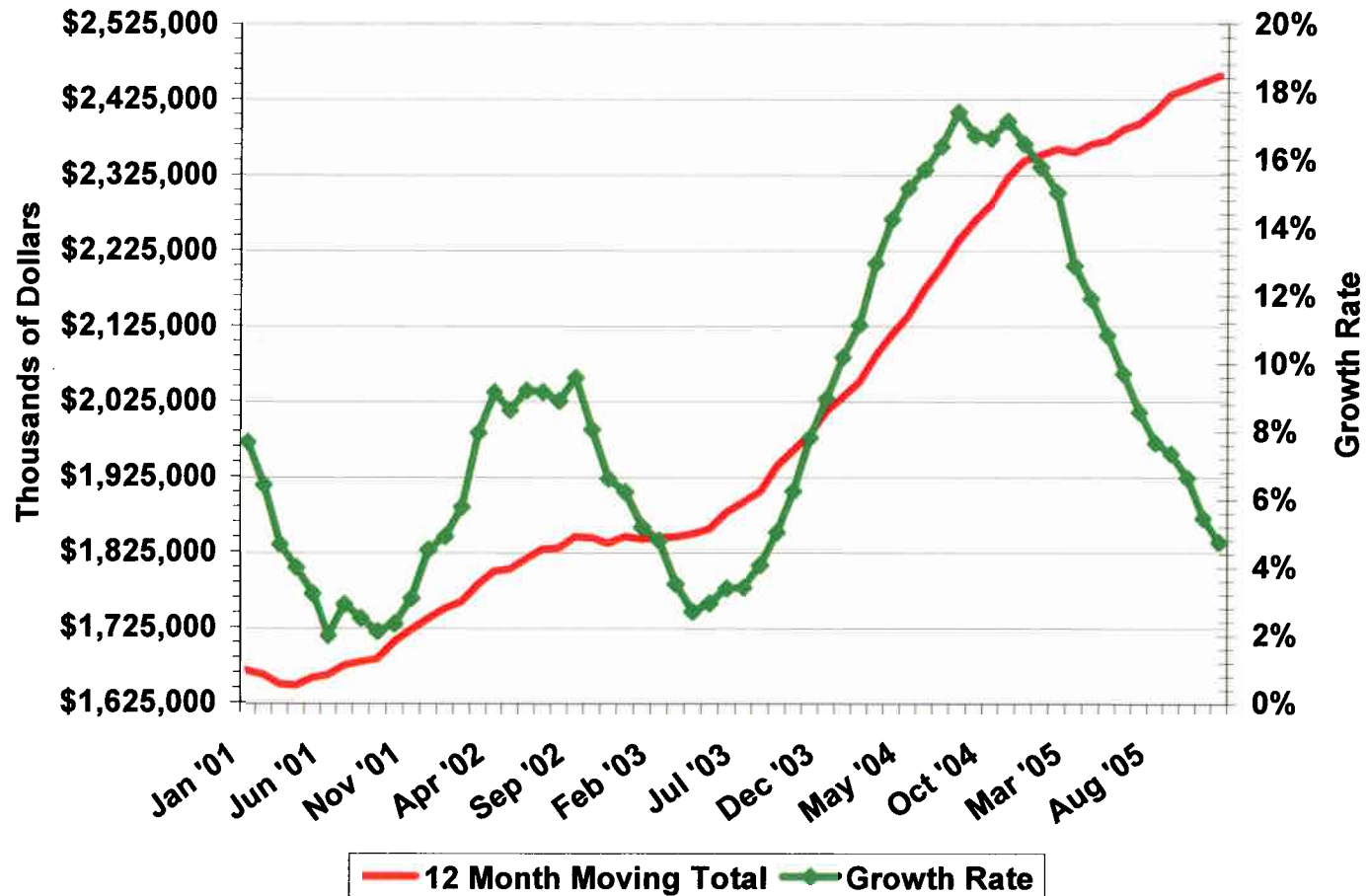
Maine Revenue Services
Taxable Sales by Sector
In Thousands of Dollars

	Dec. '05	% Ch.	Dec. '04	% Ch.	Dec. '03	Average Last 3 Mos. Vs. Last Yr. % Change	Moving Total Last 12 Mos. Vs. Prior % Change	YTD Growth CY'05 vs. '04 Thru. Dec. % Change
Building Supply	\$219,765	4%	\$212,077	12%	\$189,066	4%	5%	5%
Food Store	\$123,932	3%	\$120,055	-3%	\$124,171	5%	5%	5%
General Merchandise	\$404,686	3%	\$394,733	2%	\$386,519	2%	-1%	-1%
Other Retail	\$268,358	2%	\$263,049	7%	\$246,706	6%	6%	6%
Auto/Transportation	\$289,983	-5%	\$304,708	-4%	\$316,439	-7%	-2%	-2%
Restaurant/lodging	\$161,547	5%	\$153,806	6%	\$144,960	2%	3%	3%
Consumer Sales	\$1,468,270	1%	\$1,448,428	3%	\$1,407,862	1%	2%	2%
Business Operating	\$253,717	0%	\$253,084	14%	\$222,648	0%	5%	5%
Total	\$1,721,987	1%	\$1,701,512	4%	\$1,630,509	1%	2%	2%
Utilities	\$142,503	18%	\$121,200	2%	\$119,357			
Total including Utilities	\$1,864,490	2%	\$1,822,712	4%	\$1,749,866			

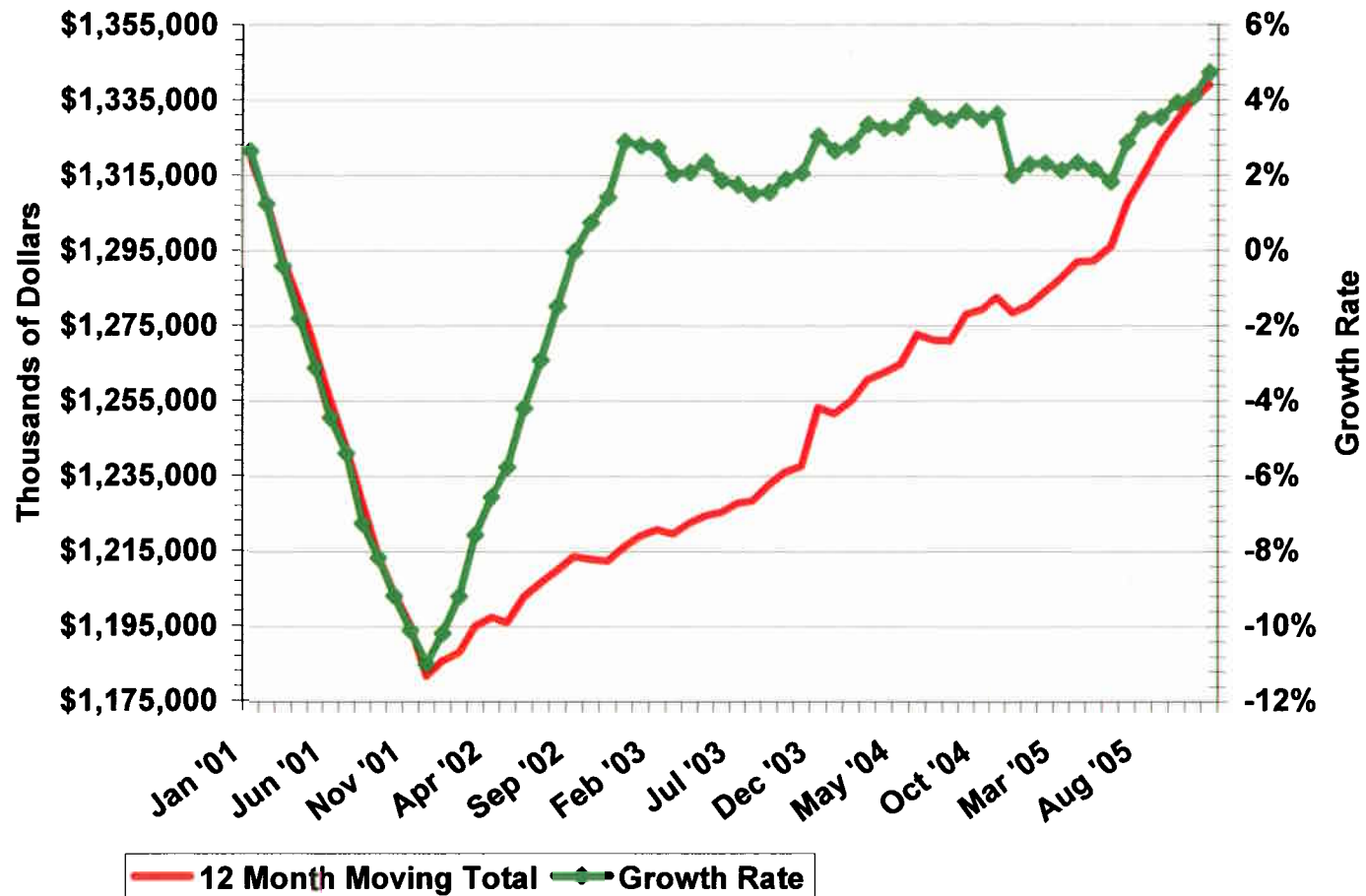
2005 Maine Taxable Sales by Sector



Building Supply Taxable Sales January 2001 to Date



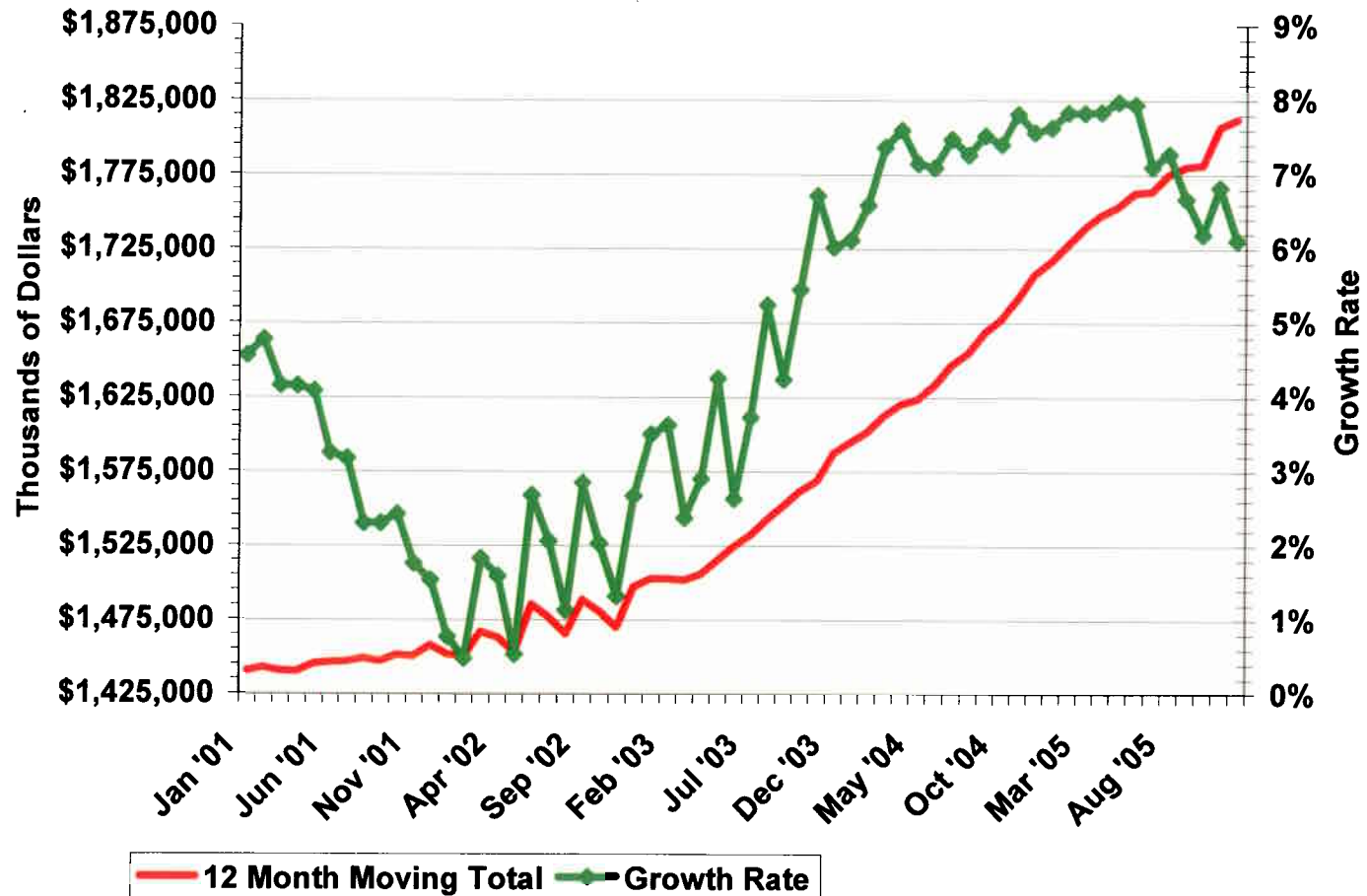
Food Store Taxable Sales January 2001 to Date



General Merchandise Taxable Sales January 2001 to Date



Other Retail Taxable Sales January 2001 to Date



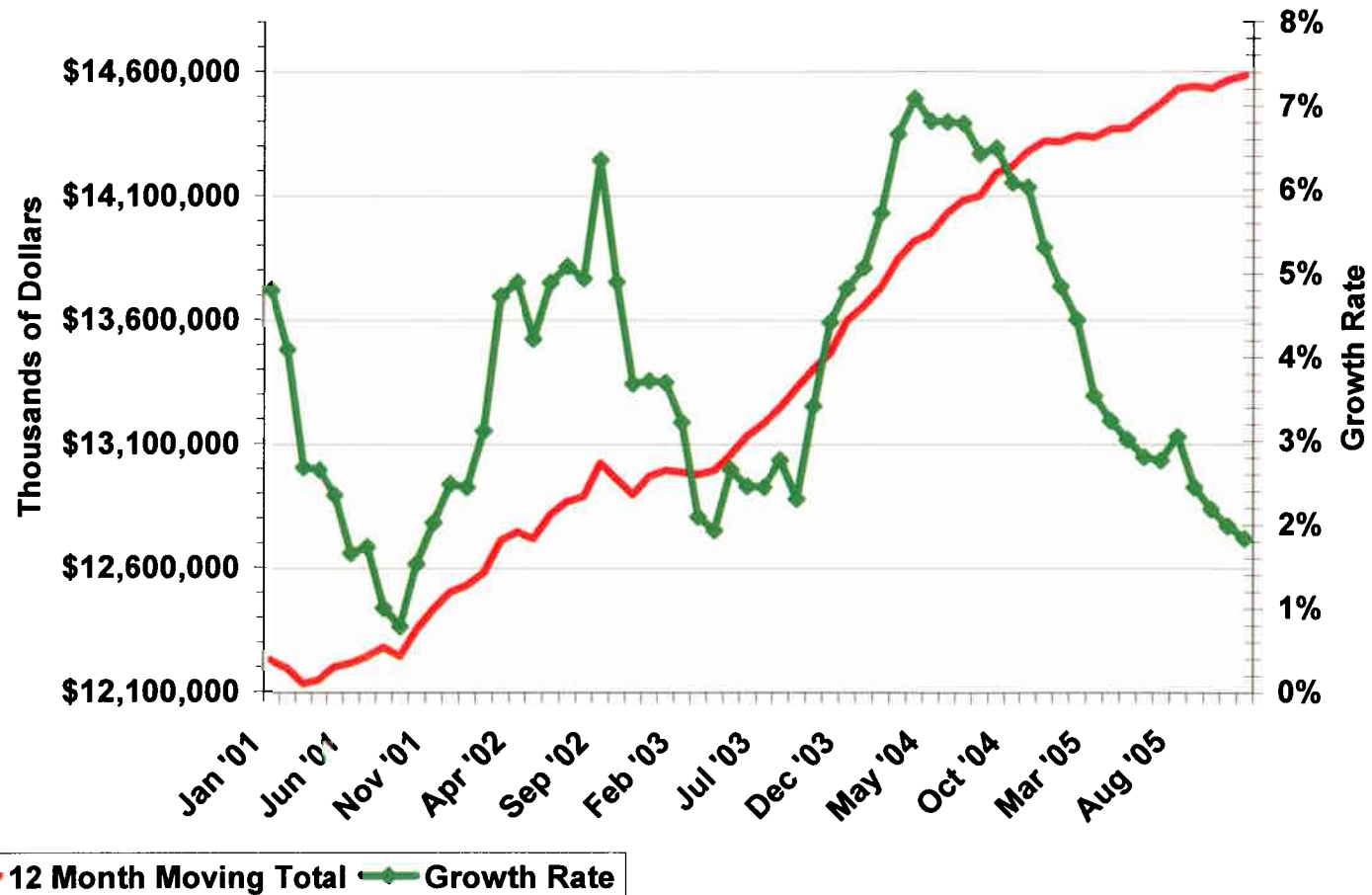
Auto/Transportation Taxable Sales January 2001 to Date



Restaurant/Lodging Taxable Sales January 2001 to Date



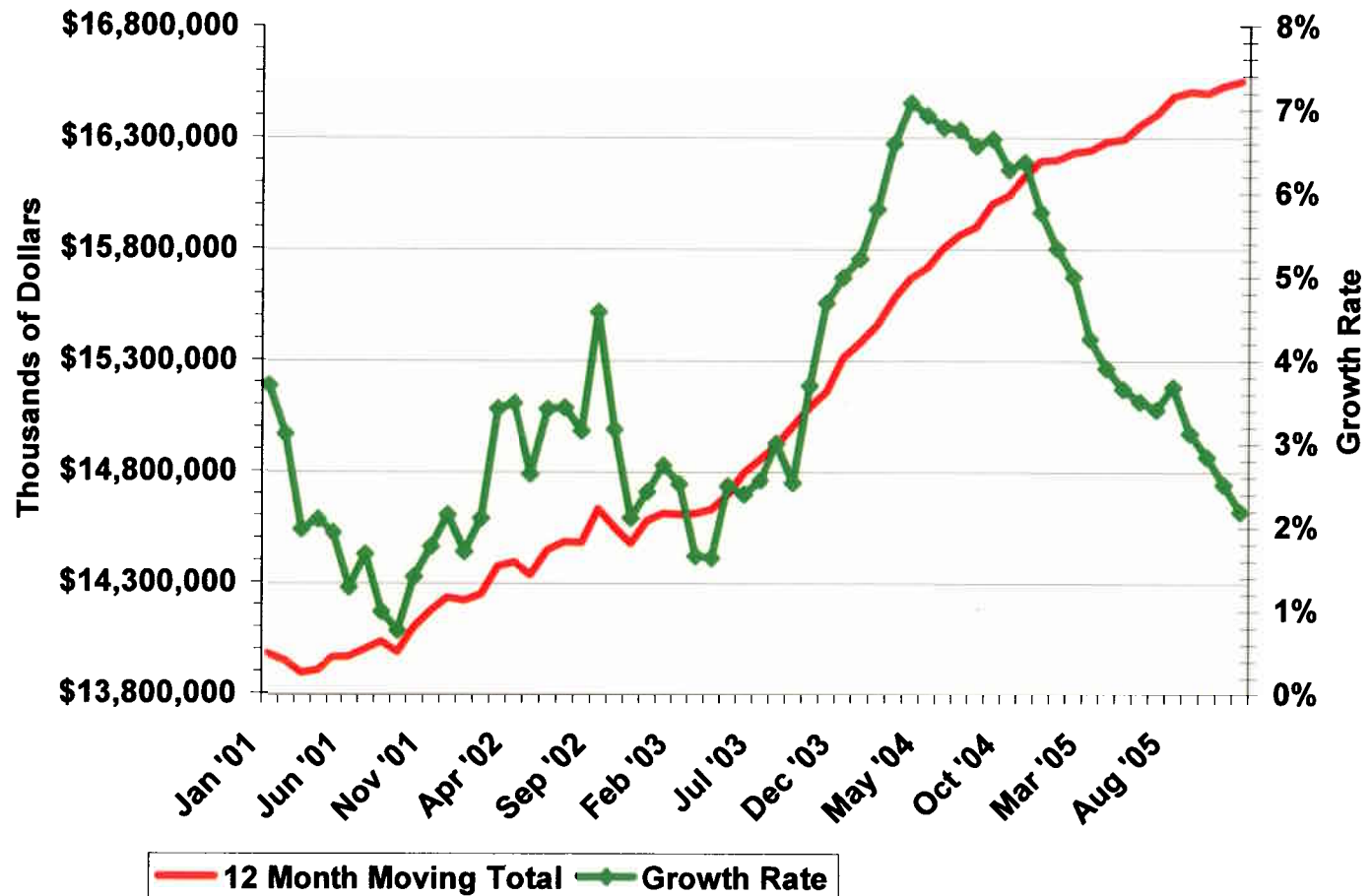
Total Consumer Taxable Sales January 2001 to Date



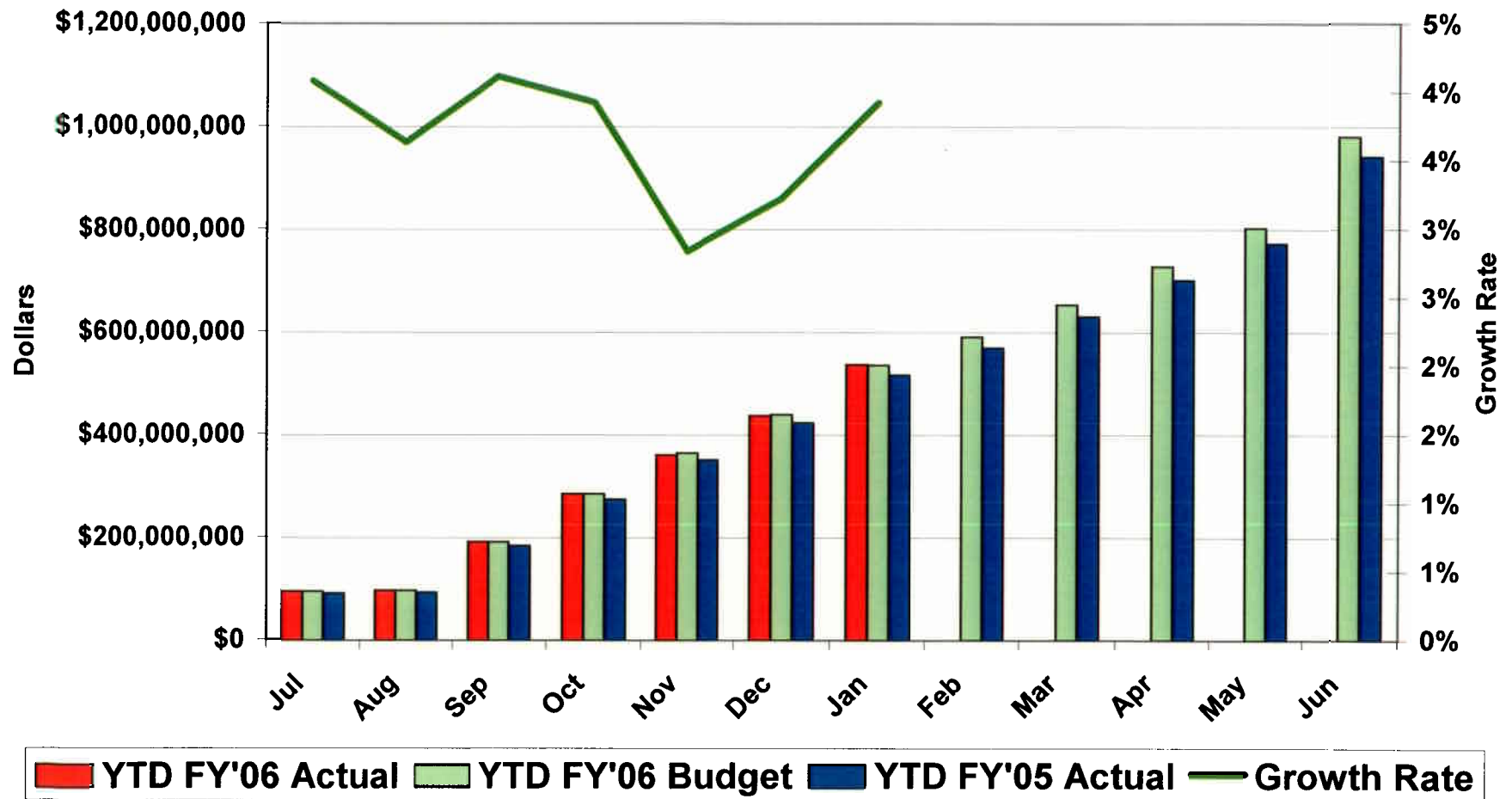
Business Operating Taxable Sales January 2001 to Date



Total Taxable Sales January 2001 to Date



Sales & Service Provider Tax Revenue FY'06 Actual, Budget & FY'05 Actual



Maine Revenue Services
Sales & Use Tax and General Fund Service Provider Tax Revenue

Month	FY'06 Actual	FY'06 Budget	FY'05 Actual	FY'04 Actual	FY'06 Actual vs. Budget	FY'06 Budget vs. FY'05 Actual	FY'06 Actual vs. FY'05 Actual	FY'05 Actual vs. FY'04 Actual
Jul	\$95,563,538	\$95,563,538	\$91,816,108	\$86,508,519	0.0%	4.1%	4.1%	6.1%
Aug	\$1,369,702	\$1,369,702	\$1,718,008	\$1,346,518	0.0%	-20.3%	-20.3%	27.6%
Sep	\$94,871,741	\$94,871,741	\$90,688,073	\$90,803,534	0.0%	4.6%	4.6%	-0.1%
Oct	\$93,595,668	\$93,595,667	\$90,398,099	\$83,820,881	0.0%	3.5%	3.5%	7.8%
Nov	\$75,709,519	\$79,205,722	\$76,527,267	\$74,982,218	-4.4%	3.5%	-1.1%	2.1%
Dec	\$76,227,244	\$75,066,460	\$72,527,980	\$70,728,225	1.5%	3.5%	5.1%	2.5%
Jan	\$99,141,063	\$95,800,569	\$92,560,936	\$89,659,263	3.5%	3.5%	7.1%	3.2%
Feb	\$0	\$55,157,742	\$53,292,504	\$57,598,238	-100.0%	3.5%	-100.0%	-7.5%
Mar	\$0	\$62,498,662	\$60,385,181	\$59,286,767	-100.0%	3.5%	-100.0%	1.9%
Apr	\$0	\$74,848,483	\$71,238,466	\$70,353,678	-100.0%	5.1%	-100.0%	1.3%
May	\$0	\$74,932,437	\$71,318,421	\$67,500,062	-100.0%	5.1%	-100.0%	5.7%
Jun	\$0	\$177,284,522	\$168,750,795	\$164,655,339	-100.0%	5.1%	-100.0%	2.5%
=====								
Total	\$536,478,475	\$980,195,245	\$941,221,838	\$917,243,242	-45.3%	4.1%	-43.0%	2.6%
=====								
YTD Jan	\$536,478,475	\$535,473,399	\$516,236,471	\$497,849,158	0.2%	3.7%	3.9%	3.7%
=====								

Sales & Use Tax: Baseline Forecast FY06 - FY09

	FY02	FY03	Biennium	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium
Actuals & November, 2005 Forecast ^{1/}	\$836,134,084	\$857,486,801	\$1,693,620,885	\$917,243,245	\$941,221,839	\$1,858,465,084	\$980,195,245	\$1,031,163,372	\$2,011,358,617	\$1,079,022,790	\$1,126,896,765	\$2,205,919,555
Growth Rate		2.6%		7.0%	2.6%	9.7%	4.1%	5.2%	8.2%	4.6%	4.4%	9.7%
Technical Adjustments to Prior Forecast ^{2/}	\$0	\$0	\$0	\$0	\$0	\$0	\$2,000,000	\$0	\$2,000,000	\$0	\$0	\$0
Economic Assumptions ^{3/}	\$0	\$0	\$0	\$0	\$0	\$0	(\$5,060,000)	(\$5,120,000)	(\$10,180,000)	(\$4,270,000)	(\$4,940,000)	(\$9,210,000)
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$0	\$0	(\$3,060,000)	(\$5,120,000)	(\$8,180,000)	(\$4,270,000)	(\$4,940,000)	(\$9,210,000)
New Forecast	\$836,134,084	\$857,486,801	\$1,693,620,885	\$917,243,245	\$941,221,839	\$1,858,465,084	\$977,135,245	\$1,026,043,372	\$2,003,178,617	\$1,074,752,790	\$1,121,956,765	\$2,196,709,555
Growth Rate	2.2%	2.6%	1.7%	7.0%	2.6%	9.7%	3.8%	5.0%	7.8%	4.7%	4.4%	9.7%

1/ November, 2005 forecast with FY02, FY03, FY04 and FY05 actuals.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

3/ This line shows the incremental change in baseline revenues as a result of the new economic forecast released by the Consensus Economic Forecasting Committee.

Maine Revenue Services**Model Sales Tax Revenue for Selected Categories from the February 2006 Forecast**
(millions of dollars)

Fiscal Years	2005	2006		2007		2008		2009	
Personal Consumption									
Total motor vehicles	\$148.1	\$147.3	-0.5%	\$151.8	3.1%	\$158.5	4.4%	\$166.2	4.8%
New autos	\$65.32	\$65.0	-0.5%	\$67.0	3.1%	\$69.9	4.4%	\$73.3	4.8%
Used Autos	\$36.96	\$36.8	-0.5%	\$37.9	3.1%	\$39.6	4.4%	\$41.5	4.8%
Other motor vehicles	\$45.82	\$45.6	-0.5%	\$47.0	3.1%	\$49.1	4.4%	\$51.4	4.8%
Restaurants	\$118.49	\$122.1	3.0%	\$127.0	4.1%	\$132.5	4.3%	\$137.1	3.5%
Lodging	\$35.63	\$38.9	9.1%	\$42.6	9.5%	\$46.7	9.8%	\$50.9	9.0%
Shoes	\$9.93	\$9.9	0.1%	\$10.3	3.4%	\$10.7	3.8%	\$11.0	2.9%
Women's clothing	\$36.08	\$38.4	6.4%	\$40.6	5.7%	\$42.9	5.8%	\$45.1	5.1%
Men's clothing	\$21.9	\$23.4	6.4%	\$24.7	5.7%	\$26.1	5.8%	\$27.4	5.1%
Jewelry and watches	\$11.7	\$13.0	11.3%	\$14.0	7.3%	\$15.0	7.4%	\$16.0	6.7%
Toilet articles and preps	\$15.8	\$18.4	16.2%	\$20.0	8.8%	\$21.8	9.1%	\$23.6	8.2%
Furniture	\$15.0	\$16.5	10.0%	\$17.6	6.8%	\$18.8	7.0%	\$20.0	6.2%
Drugs	\$16.2	\$15.6	-3.3%	\$16.0	2.3%	\$16.4	2.6%	\$16.7	1.8%
Personal consumption	\$683.3	\$708.6	3.7%	\$744.6	5.1%	\$782.4	5.1%	\$818.5	4.6%
Business Intermediate	\$183.1	\$187.6	2.5%	\$195.2	4.1%	\$201.1	3.1%	\$207.1	2.9%
Business Investment	\$74.9	\$77.2	3.0%	\$80.7	4.5%	\$84.1	4.3%	\$87.7	4.3%

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**Maine Revenue Services
Transfers to the Tourism Marketing Promotion Fund
February 2006 Forecast**

5% of the tax on meals and lodging is dedicated to the Tourism Marketing Promotion Fund. Revenue is credited to the fund in July and October of each year based on revenue collected in the prior fiscal year after revenue sharing has been deducted.

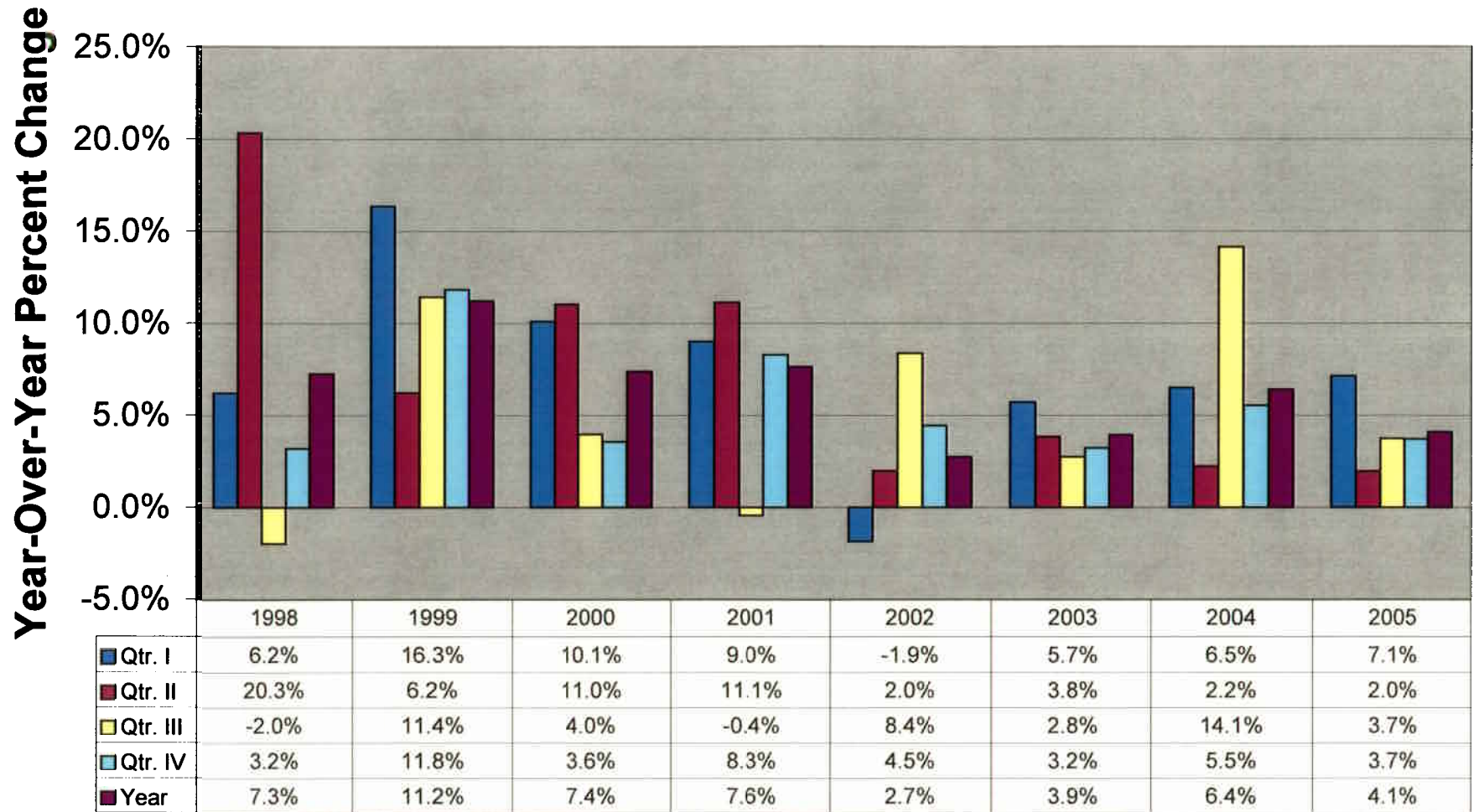
Actual FY'05 meals/lodge tax revenue	\$163,597,235	
General Fund portion	\$155,253,776	94.9%
FY'06 Transfer to Tourism - budget	\$7,936,013	
Actual FY'06 transfer	\$7,762,689	5.0%
Variance	(\$173,324)	

	FY'06	FY'07	FY'08
Meals and lodging revenue forecast	\$170,750,000	\$179,770,000	\$189,700,000
Growth rate	4.4%	5.3%	5.5%
General Fund	\$162,041,750	\$170,601,730	\$179,835,600
General Fund percentage	94.9%	94.9%	94.8%

February 2006 forecast	FY'07	FY'08	FY'09
5% to Tourism Fund	\$8,102,088	\$8,530,087	\$8,991,780
Current budget	\$8,237,761	\$8,675,720	\$9,145,907
Variance	(\$135,674)	(\$145,633)	(\$154,127)

Individual Income Tax

Individual Income Tax Withholding



Quarter & Calendar Year

	2000 Preliminary /1			2000 Final /1		
	Returns	Dollars		Returns	Dollars	Change
Wages & Salaries	496,472	\$15,907,655,047		514,529	\$16,666,346,027	4.77%
Taxable Interest	341,325	\$657,989,651		358,462	\$740,760,741	12.58%
Dividends	142,394	\$521,799,796		152,587	\$603,805,789	15.72%
Taxable Pensions	96,851	\$1,357,848,444		100,653	\$1,417,824,372	4.42%
Net Capital Gains	125,629	\$1,860,469,406		135,657	\$2,354,760,996	26.57%
Rent, Royalties, Partnerships, S Corps, etc.	59,034	\$753,153,852		67,830	\$984,096,441	30.66%
Unemployment Compensation	30,845	\$70,296,839		31,784	\$73,015,668	3.87%
Federal Adjusted Gross Income	578,720	\$22,594,617,841		604,456	\$24,477,141,373	8.33%
Alternative Minimum Tax	4,999	\$26,226,065		5,942	\$33,557,749	27.96%

	2001 Preliminary /1			2001 Final /1		
	Returns	Dollars	Change 2000	Returns	Dollars	Change Change 2000
Wages & Salaries	503,458	\$16,696,110,165	4.96%	518,819	\$17,338,131,752	3.85% 4.03%
Taxable Interest	341,433	\$657,640,734	-0.05%	355,529	\$728,316,677	10.75% -1.68%
Dividends	136,034	\$445,592,772	-14.60%	143,881	\$497,228,048	11.59% -17.65%
Taxable Pensions	99,415	\$1,401,544,490	3.22%	102,550	\$1,450,598,580	3.50% 2.31%
Net Capital Gains	106,145	\$892,170,606	-52.05%	113,527	\$1,071,519,235	20.10% -54.50%
Rent, Royalties, Partnerships, S Corps, etc.	60,218	\$805,488,714	6.95%	60,218	\$988,083,224	22.67% 0.41%
Unemployment Compensation	37,711	\$86,257,157	22.70%	38,639	\$99,384,658	15.22% 36.11%
Federal Adjusted Gross Income	585,280	\$22,493,034,329	-0.45%	607,164	\$23,805,345,868	5.83% -2.74%
Alternative Minimum Tax	4,633	\$23,596,077	-10.03%	5,318	\$29,524,115	25.12% -12.02%

	2002 Preliminary /1			2002 Final /1		
	Returns	Dollars	Change 2001	Returns	Dollars	Change Change 2001
Wages & Salaries	498,708	\$16,901,491,633	1.23%		\$17,593,251,466	4.09% 1.47%
Taxable Interest	322,828	\$485,853,025	-26.12%		\$543,273,982	11.82% -25.41%
Dividends	137,228	\$388,677,070	-12.77%		\$438,362,316	12.78% -11.84%
Taxable Pensions	100,578	\$1,451,956,220	3.60%		\$1,506,879,061	3.78% 3.88%
Net Capital Gains	102,278	\$737,665,287	-17.32%		\$896,232,487	21.50% -16.36%
Rent, Royalties, Partnerships, S Corps, etc.	60,603	\$835,616,605	3.74%		\$1,049,809,892	25.63% 6.25%
Unemployment Compensation	42,593	\$145,439,444	68.61%		\$151,141,895	3.92% 52.08%
Federal Adjusted Gross Income	580,796	\$22,246,559,220	-1.10%		\$23,617,364,010	6.16% -0.79%
Alternative Minimum Tax	7,222	\$23,088,615	-2.15%	8,257	\$28,226,294	22.25% -4.40%

	2003 Preliminary /1			2003 Final /1		
	Returns	Dollars	Change 2002	Returns	Dollars	Change Change 2002
Wages & Salaries		\$17,452,582,279	3.26%		\$18,185,614,176	4.20% 3.37%
Taxable Interest		\$409,067,783	-15.80%		\$458,319,801	12.04% -15.64%
Dividends		\$408,182,555	5.02%		\$461,404,915	13.04% 5.26%
Taxable Pensions		\$1,513,312,936	4.23%		\$1,570,062,035	3.75% 4.19%
Net Capital Gains		\$810,743,847	9.91%		\$1,066,720,335	31.57% 19.02%
Rent, Royalties, Partnerships, S Corps, etc.		\$832,084,682	-0.42%		\$1,128,959,905	35.68% 7.54%
Unemployment Compensation		\$156,046,911	7.29%		\$161,917,274	3.76% 7.13%
Federal Adjusted Gross Income		\$23,037,272,340	3.55%		\$24,625,619,877	6.89% 4.27%
Alternative Minimum Tax		\$29,402,344	27.35%		\$35,587,899	21.04% 26.08%

	2004 Preliminary /1			2004 Final /2		
	Returns	Dollars	Change 2003	Returns	Dollars	Change Change 2003
Wages & Salaries		\$18,209,599,632	4.34%		\$18,946,382,056	4.05% 4.18%
Taxable Interest		\$377,690,801	-7.67%		\$421,258,116	11.54% -8.09%
Dividends		\$490,836,000	20.25%		\$552,043,294	12.47% 19.64%
Taxable Pensions		\$1,605,430,237	6.09%		\$1,664,470,856	3.68% 6.01%
Net Capital Gains		\$1,148,718,111	41.69%		\$1,428,895,683	24.39% 33.95%
Rent, Royalties, Partnerships, S Corps, etc.		\$919,000,475	10.45%		\$1,176,260,059	27.99% 4.19%
Unemployment Compensation		\$122,183,166	-21.70%		\$131,510,544	7.63% -18.78%
Federal Adjusted Gross Income		\$24,413,760,822	5.98%		\$25,951,084,029	6.30% 5.38%
Alternative Minimum Tax		\$38,434,394	30.72%		\$47,199,051	22.80% 32.63%

1/ IMF & IRTF data for returns with Maine address.

2/ Estimated

	Average Liability																		
	1995	1996		1997		1998		1999		2000		2001		2002		2003		2004	
10th percentile	\$11	\$13	16.64%	\$16	22.74%	\$24	54.33%	\$36	47.86%	\$22	-37.98%	\$25	10.52%	\$2	-91.01%	\$3	22.09%	\$3	17.37%
20th percentile	\$22	\$24	9.67%	\$29	23.21%	\$33	10.65%	\$34	5.34%	\$37	7.89%	\$34	-8.35%	\$24	-30.34%	\$24	0.97%	\$26	9.84%
30th percentile	\$62	\$68	9.51%	\$83	20.96%	\$88	7.00%	\$93	5.48%	\$100	7.08%	\$96	-3.55%	\$97	0.97%	\$100	2.96%	\$108	7.40%
40th percentile	\$156	\$169	8.80%	\$199	17.23%	\$212	6.83%	\$220	3.46%	\$234	6.64%	\$235	0.17%	\$262	11.77%	\$269	2.78%	\$288	6.94%
50th percentile	\$321	\$345	7.54%	\$392	13.62%	\$415	5.84%	\$434	4.66%	\$460	5.94%	\$465	1.18%	\$510	9.66%	\$528	3.40%	\$556	5.41%
60th percentile	\$544	\$587	7.83%	\$658	12.12%	\$697	5.94%	\$725	3.97%	\$775	6.93%	\$793	2.26%	\$855	7.83%	\$886	3.67%	\$937	5.69%
70th percentile	\$863	\$928	7.46%	\$1,028	10.81%	\$1,082	5.29%	\$1,122	3.65%	\$1,182	5.32%	\$1,218	3.12%	\$1,297	6.41%	\$1,350	4.09%	\$1,422	5.33%
80th percentile	\$1,320	\$1,406	6.51%	\$1,547	10.00%	\$1,618	4.62%	\$1,677	3.61%	\$1,761	5.01%	\$1,809	2.76%	\$1,916	5.90%	\$2,004	4.58%	\$2,121	5.85%
90th percentile	\$2,072	\$2,209	6.64%	\$2,436	10.26%	\$2,560	5.08%	\$2,664	4.08%	\$2,817	5.75%	\$2,856	1.38%	\$3,025	5.90%	\$3,181	5.17%	\$3,393	6.66%
Returns in Each Decile	\$6,235	\$6,841	9.72%	\$7,970	16.51%	\$9,179	15.17%	\$9,394	2.33%	\$10,307	9.72%	\$9,110	-11.61%	\$8,649	-5.06%	\$9,122	5.48%	\$10,307	12.98%
	56,443	56,684		57,226		58,331		59,591		60,782		61,053		61,348		61,803		62,553	
	\$1,161	\$1,259	8.48%	\$1,438	14.17%	\$1,591	10.67%	\$1,630	2.48%	\$1,769	8.53%	\$1,664	-5.95%	\$1,664	-0.03%	\$1,747	4.99%	\$1,895	8.51%
	\$2,866	\$3,048	6.37%	\$3,347	9.80%	\$3,548	6.02%	\$3,717	4.76%	\$3,929	5.70%	\$3,945	0.39%	\$4,136	4.86%	\$4,364	5.51%	\$4,641	6.34%
	\$3,297	\$3,535	7.19%	\$3,883	9.84%	\$4,115	5.98%	\$4,317	4.91%	\$4,561	5.66%	\$4,527	-0.74%	\$4,699	3.79%	\$4,983	6.04%	\$5,391	8.20%
	\$3,940	\$4,218	7.05%	\$4,667	10.63%	\$4,980	6.73%	\$5,254	5.49%	\$5,590	6.41%	\$5,421	-3.03%	\$5,664	4.49%	\$6,012	6.14%	\$6,586	9.56%
	\$5,165	\$5,602	8.46%	\$6,284	12.16%	\$6,755	7.51%	\$7,278	7.74%	\$7,850	7.86%	\$7,385	-5.93%	\$7,762	5.10%	\$8,318	7.18%	\$9,274	11.49%
	\$15,905	\$17,801	11.92%	\$21,669	21.73%	\$26,499	22.29%	\$26,399	-0.38%	\$29,600	12.12%	\$24,270	-18.00%	\$20,981	-13.55%	\$21,933	4.54%	\$25,639	16.90%
	11,289	11,337		11,446		11,666		11,919		12,157		12,211		12,270		12,361		12,511	
Total Liability	\$655,114,868	\$201,811,953		\$821,644,967		\$928,024,238		\$977,349,727		\$1,075,517,403		\$1,016,009,264		\$1,020,611,306		\$1,079,506,022		\$1,198,654,292	
Top 2%	\$179,554,786	\$713,703,566		\$248,017,678		\$309,136,222		\$314,650,731		\$359,841,536		\$296,365,902		\$257,431,357		\$271,116,019		\$320,772,772	
	27.41%	28.28%		30.19%		33.31%		32.19%		33.46%		29.17%		25.22%		25.11%		26.76%	

Capital Gains and Losses Reported on Maine Individual Income Tax Returns, Tax Year 2003 /1

Decile	Expanded Income Range	Returns with Net Capital Gains			Returns with Net Capital Losses			Returns with Capital Gains/Losses		
		Thousands	(Millions of Dollars)		Thousands	(Millions of Dollars)		Thousands	(Millions of Dollars)	
		Returns	Gains	Revenue	Returns	Losses	Revenue	Returns	Gains	Revenue
First & Second	-\$ Infinity <= \$8,997	4,563	\$38.1	\$0.1	8,203	(\$18.7)	(\$0.0)	12,766	\$19.4	\$0.0
Third	\$8,998 <= \$13,457	2,446	\$16.8	\$0.2	2,587	(\$5.7)	(\$0.1)	5,033	\$11.1	\$0.1
Fourth	\$13,458 <= \$18,654	2,983	\$19.7	\$0.4	2,920	(\$6.4)	(\$0.2)	5,903	\$13.3	\$0.2
Fifth	\$18,655 <= \$25,400	3,651	\$23.9	\$0.7	3,372	(\$7.3)	(\$0.3)	7,023	\$16.6	\$0.4
Sixth	\$25,401 <= \$34,060	4,256	\$29.8	\$1.1	3,933	(\$8.2)	(\$0.4)	8,189	\$21.5	\$0.7
Seventh	\$34,061 <= \$45,360	5,171	\$51.5	\$2.6	4,884	(\$10.3)	(\$0.7)	10,055	\$41.2	\$1.9
Eighth	\$45,361 <= \$61,420	6,840	\$65.2	\$3.8	6,029	(\$12.8)	(\$0.9)	12,869	\$52.4	\$2.9
Ninth	\$61,421 <= \$88,045	8,615	\$139.7	\$9.6	7,548	(\$16.0)	(\$1.3)	16,163	\$123.7	\$8.3
Tenth	\$88,046 <= \$ Infinity	13,104	\$792.1	\$57.2	10,753	(\$25.1)	(\$2.1)	23,857	\$767.0	\$55.1
Total		51,629	\$1,176.8	\$75.6	50,229	(\$110.6)	(\$6.0)	101,858	\$1,066.2	\$69.5

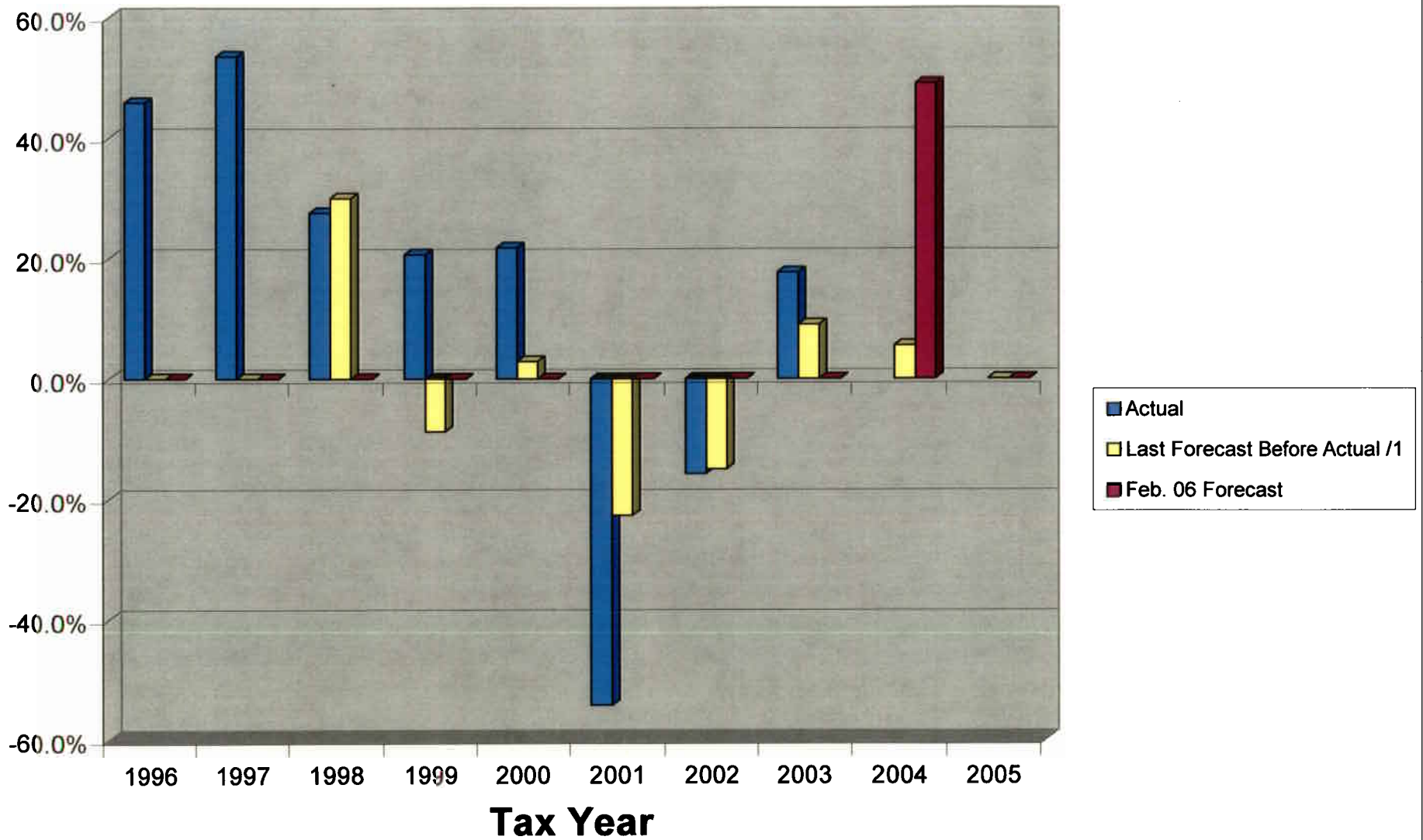
Total Resident Tax Returns filed in Tax Year 2003 = 576,691

Total Resident Tax Liability in Tax Year = \$971.7 Million

1/ Based on Maine Revenue Services' Individual Income Tax Model. Data is from tax returns filed with the Internal Revenue Service and Maine Revenue Services.

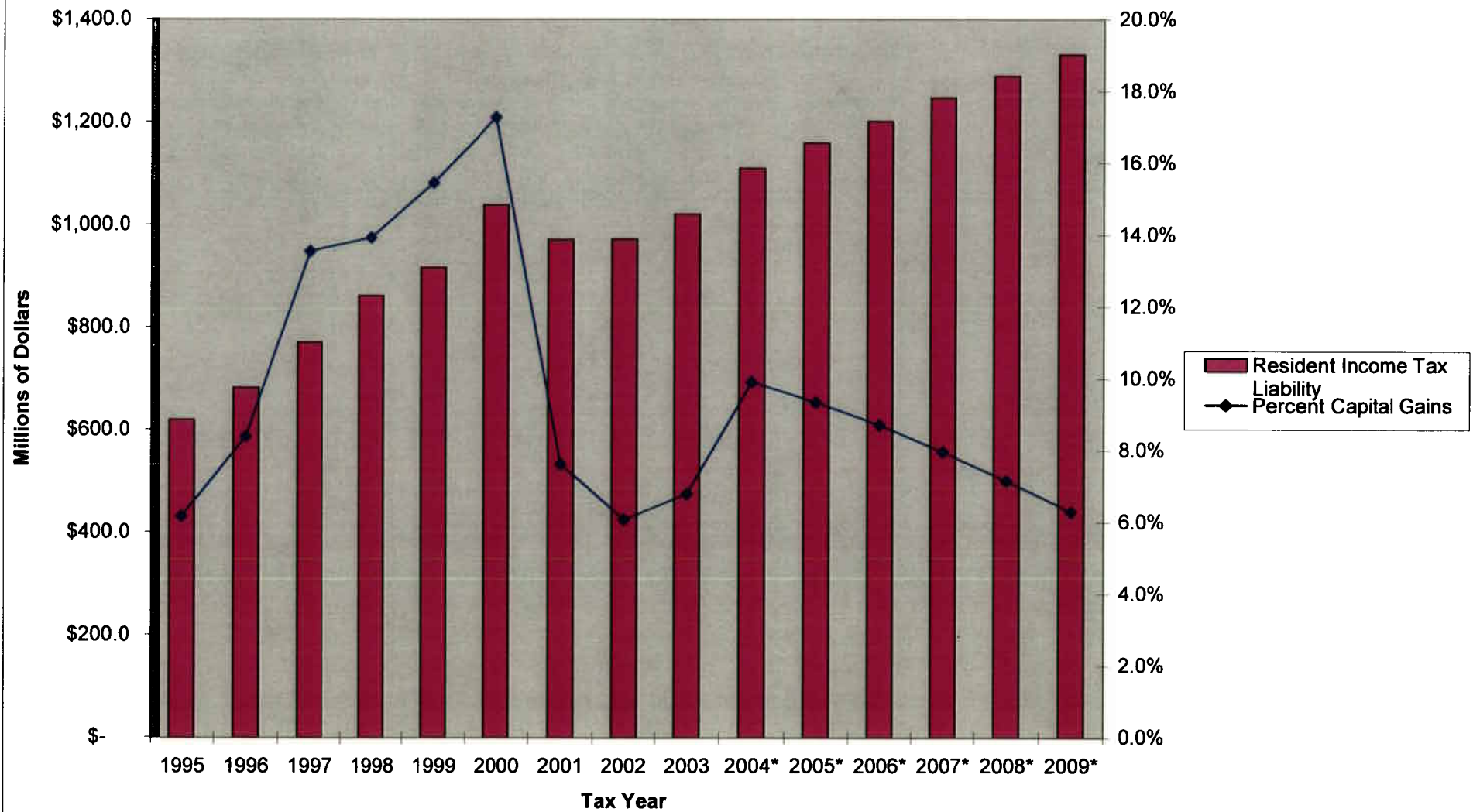
	Resident Net Gains (\$ Millions)	% Change
1995	\$551.7	
1996	\$799.7	45.0%
1997	\$1,218.7	52.4%
1998	\$1,551.0	27.3%
1999	\$1,867.2	20.4%
2000	\$2,360.4	26.4%
2001	\$1,079.3	-54.3%
2002	\$908.8	-15.8%
2003	\$1,066.2	17.3%

Percentage Change in Capital Gains Realizations by Maine Residents



1/ Represents last forecast prior to receipt of tax year return.

Percentage of Resident Liability Attributable to Net Capital Gains



* Signifies a forecasted value.

slightly reducing the growth of receipts relative to growth of GDP over most of the projection period.

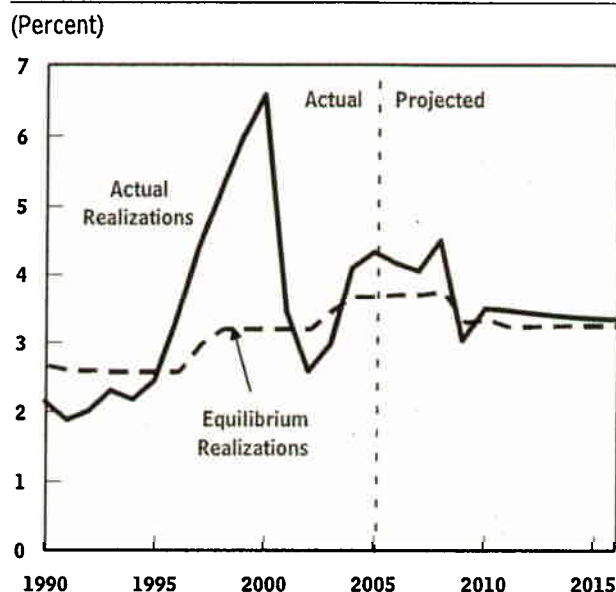
Tax Law Changes. Scheduled changes in tax law—principally from legislation enacted in 2001, 2003, and 2004—will alter the pattern of receipts growth, especially in 2011 and 2012. The scheduled changes largely tend to increase receipts. For instance, the tax rates on dividends and capital gains will rise in 2009, returning to the rates that existed before 2003. Most important, taxes are projected to increase sharply in 2011 when, among other things, statutory tax rates rise, the child tax credit declines, and tax brackets and standard deductions for joint filers contract in size to less than twice those for single taxpayers. Only the phaseout of restrictions on itemized deductions and on personal exemptions for high-income taxpayers during tax years 2006 to 2010 will tend to reduce the growth of individual income tax receipts.

Characteristics of the Tax System. CBO projects that effective tax rates will steadily rise over the next 10 years, thereby increasing the receipts generated by the economy. That rise occurs partly because of real bracket creep and partly because the AMT—which is not indexed for inflation—will be paid by an increasing number of taxpayers and affect growing amounts of income in future years. (For a more detailed description of the increasing significance of the AMT in CBO's revenue projections, see Box 4-3 on page 91.) Also pushing up effective rates are taxable distributions from tax-deferred retirement accounts, such as IRAs and 401(k) plans, which are expected to increase as the population ages. Contributions to those accounts were exempt from taxation when they were initially made, which reduced taxable income reported to the Internal Revenue Service (IRS) in earlier years. As more retirees take distributions from those accounts, the money becomes taxable, thereby increasing tax receipts relative to GDP.

Capital Gains Realizations. CBO projects that realizations of capital gains will grow more slowly than GDP after 2007. Although capital gains plunged between 2000 and 2002, they rebounded strongly in 2003 and 2004. According to early tabulations from 2004 tax returns, capital gains realizations grew by about 50 percent from 2003 levels. Based on recent economic growth and stock market activity, CBO estimates that capital gains in-

Figure 4-4.

Capital Gains Realizations as a Share of Gross Domestic Product, Calendar Years 1990 to 2016



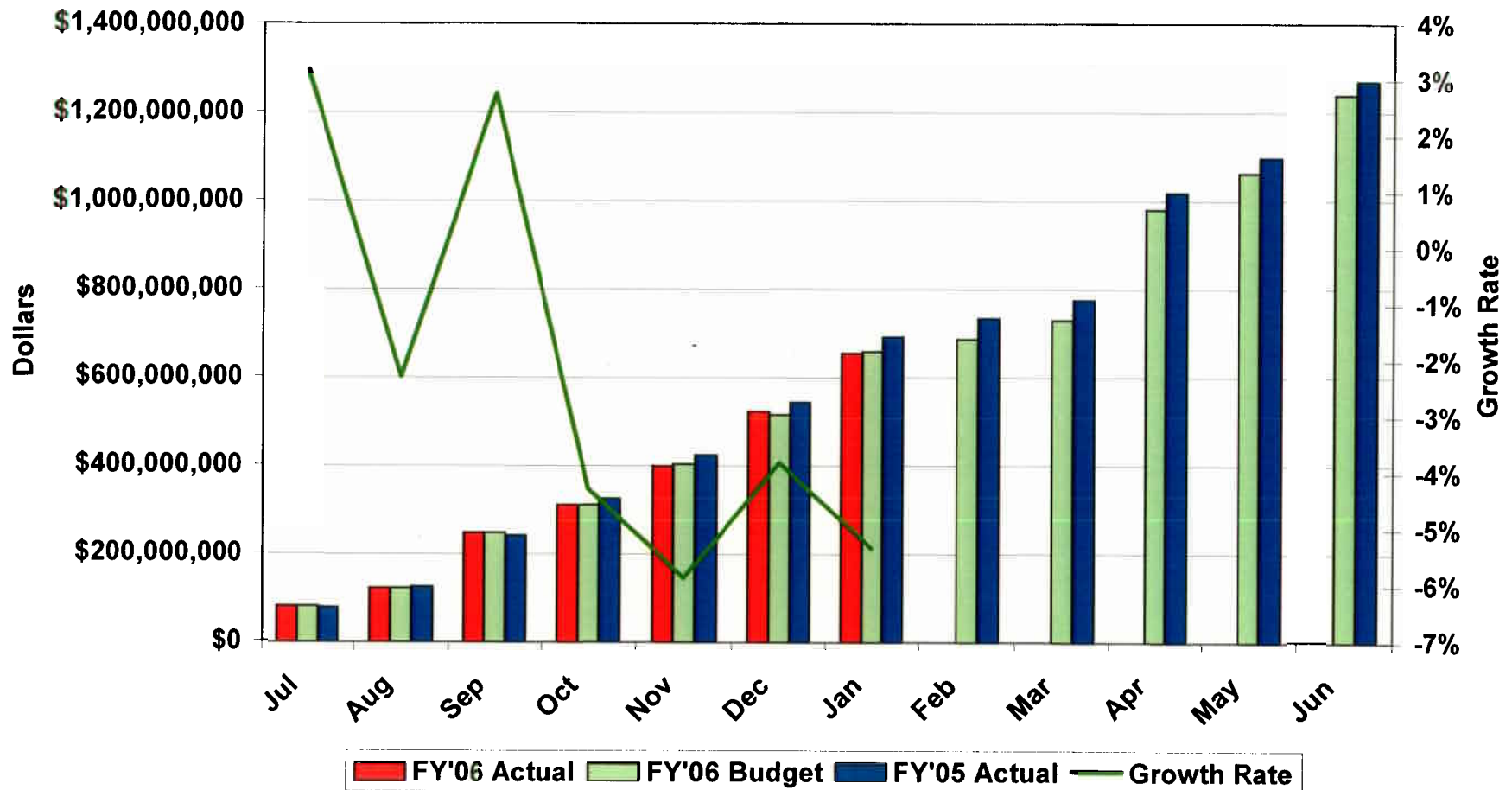
Source: Congressional Budget Office.

Note: The equilibrium level of capital gains realizations to gross domestic product (GDP) is measured as the average ratio of gains to GDP from 1954 to 2002, adjusted for the differences between each year's tax rate on capital gains and the average rate over the period. A lower tax rate on capital gains corresponds to a higher equilibrium relationship.

creased by a further 13 percent in 2005, boosting them to just about double their 2002 trough (see Table 4-4 on page 92).

The strong recovery in capital gains realizations since 2002 has pushed them to a level that, relative to the size of the economy, is above that implied by their past historical relationship (see Figure 4-4). Consequently, CBO projects that, beyond 2005, capital gains will rise a bit more slowly than GDP. As it has tended to do in the past, the ratio of gains realizations to GDP is expected to gradually approach its long-run average level relative to the economy. Between 2007 and 2016, capital gains realizations are projected to grow by an average of 2.5 percent annually, lower than the 4.7 percent growth rate of both GDP and taxable personal income. Receipts from gains are expected to grow in step with gains realizations, except when tax rates increase in 2009.

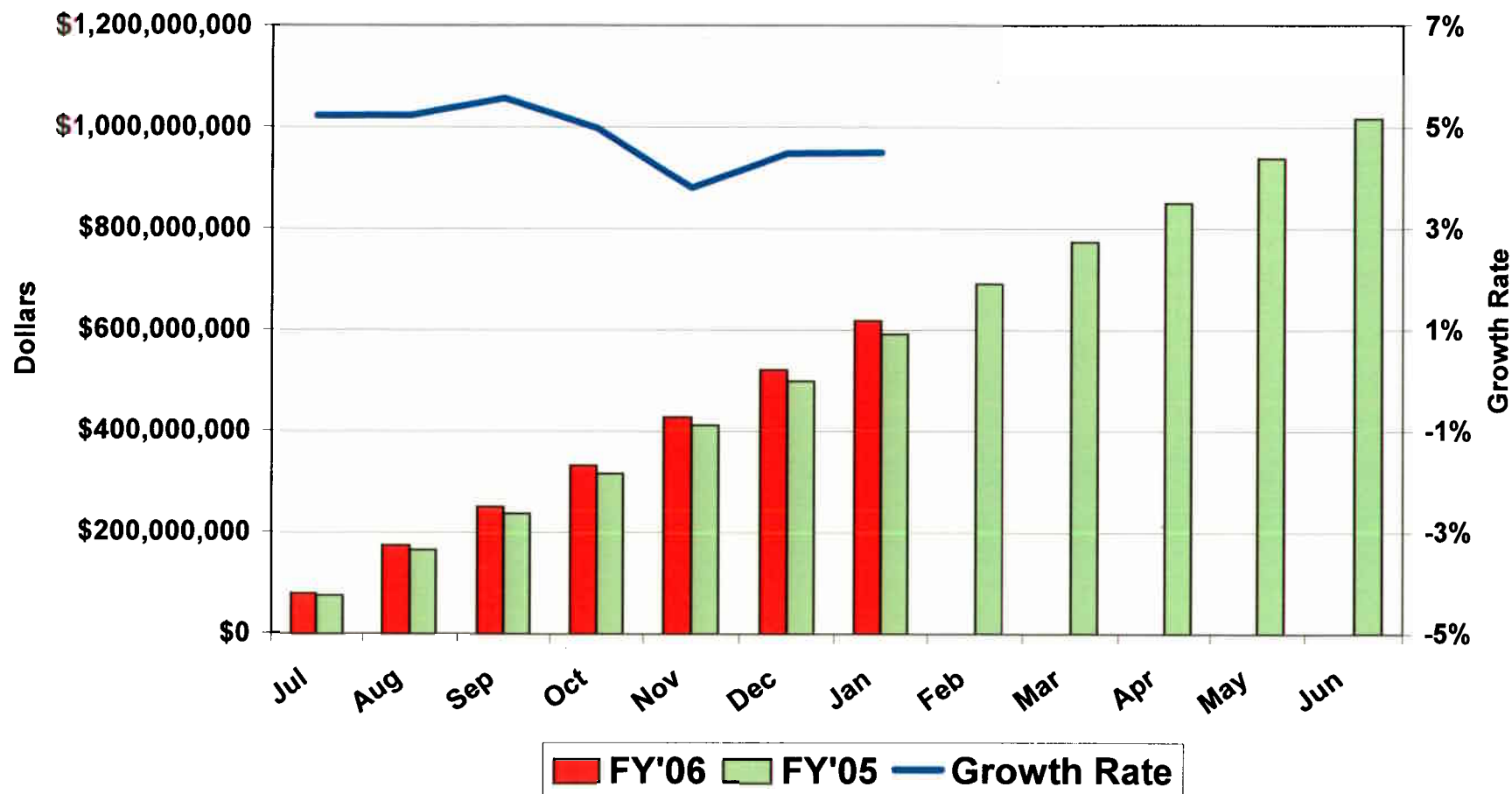
YTD Individual Income Tax Revenue FY'06 Actual, Budget & FY'05 Actual



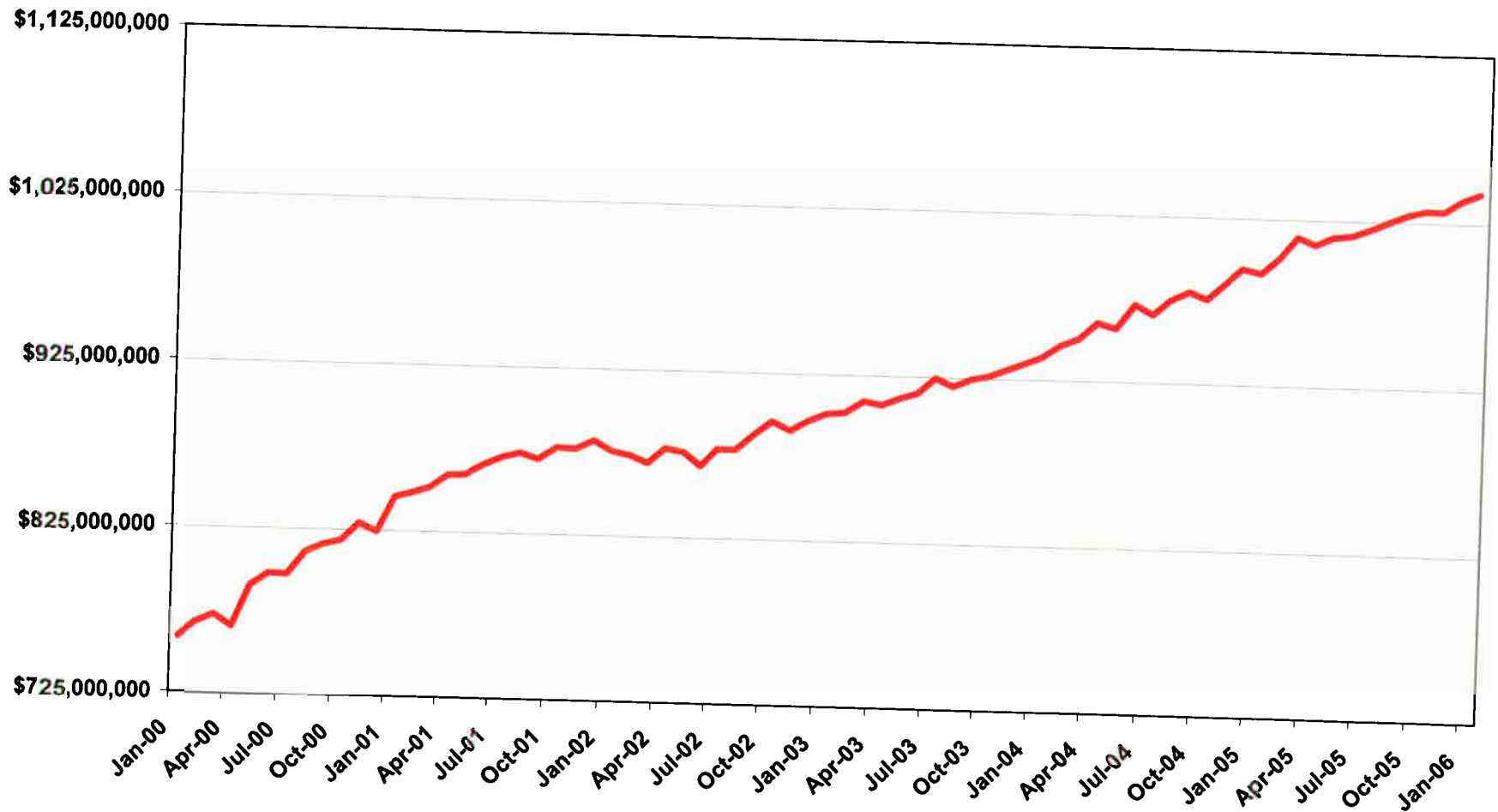
**Maine Revenue Services
Individual Income Tax Revenue**

	FY'06 Actual	FY'06 Budget	FY'05 Actual	FY'04 Actual	FY'06 Actual vs. Budget	FY'06 Budget vs. FY'05 Actual	FY'06 Actual vs. FY'05 Actual	FY'05 Actual vs. FY'04 Actual
Jul	\$81,512,002	\$81,512,002	\$79,007,870	\$83,052,540	0.0%	3.2%	3.2%	-4.9%
Aug	\$41,008,817	\$41,008,817	\$46,368,424	\$25,716,284	0.0%	-11.6%	-11.6%	80.3%
Sep	\$125,826,676	\$125,826,676	\$116,291,674	\$112,651,883	0.0%	8.2%	8.2%	3.2%
Oct	\$63,159,155	\$63,159,155	\$83,726,670	\$92,060,779	0.0%	-24.6%	-24.6%	-9.1%
Nov	\$88,172,229	\$92,252,134	\$99,127,735	\$92,846,672	-4.4%	-6.9%	-11.1%	6.8%
Dec	\$123,612,742	\$111,565,559	\$119,454,517	\$118,510,420	10.8%	-6.6%	3.5%	0.8%
Jan	\$131,958,647	\$143,146,864	\$148,098,576	\$147,651,743	-7.8%	-3.3%	-10.9%	0.3%
Feb	\$0	\$28,469,073	\$42,476,859	\$26,333,492	-100.0%	-33.0%	-100.0%	61.3%
Mar	\$0	\$43,204,803	\$41,279,330	\$30,231,259	-100.0%	4.7%	-100.0%	36.5%
Apr	\$0	\$250,405,671	\$242,229,663	\$200,394,874	-100.0%	3.4%	-100.0%	20.9%
May	\$0	\$81,852,960	\$79,599,103	\$64,521,014	-100.0%	2.8%	-100.0%	23.4%
Jun	\$0	\$176,894,131	\$172,564,907	\$162,744,951	-100.0%	2.5%	-100.0%	6.0%
=====								
Total	\$655,250,268	\$1,239,297,845	\$1,270,225,328	\$1,156,715,911	-47.1%	-2.4%	-48.4%	9.8%
=====								
YTD Jan	\$655,250,268	\$658,471,207	\$692,075,466	\$672,490,321	-0.5%	-4.9%	-5.3%	2.9%
=====								

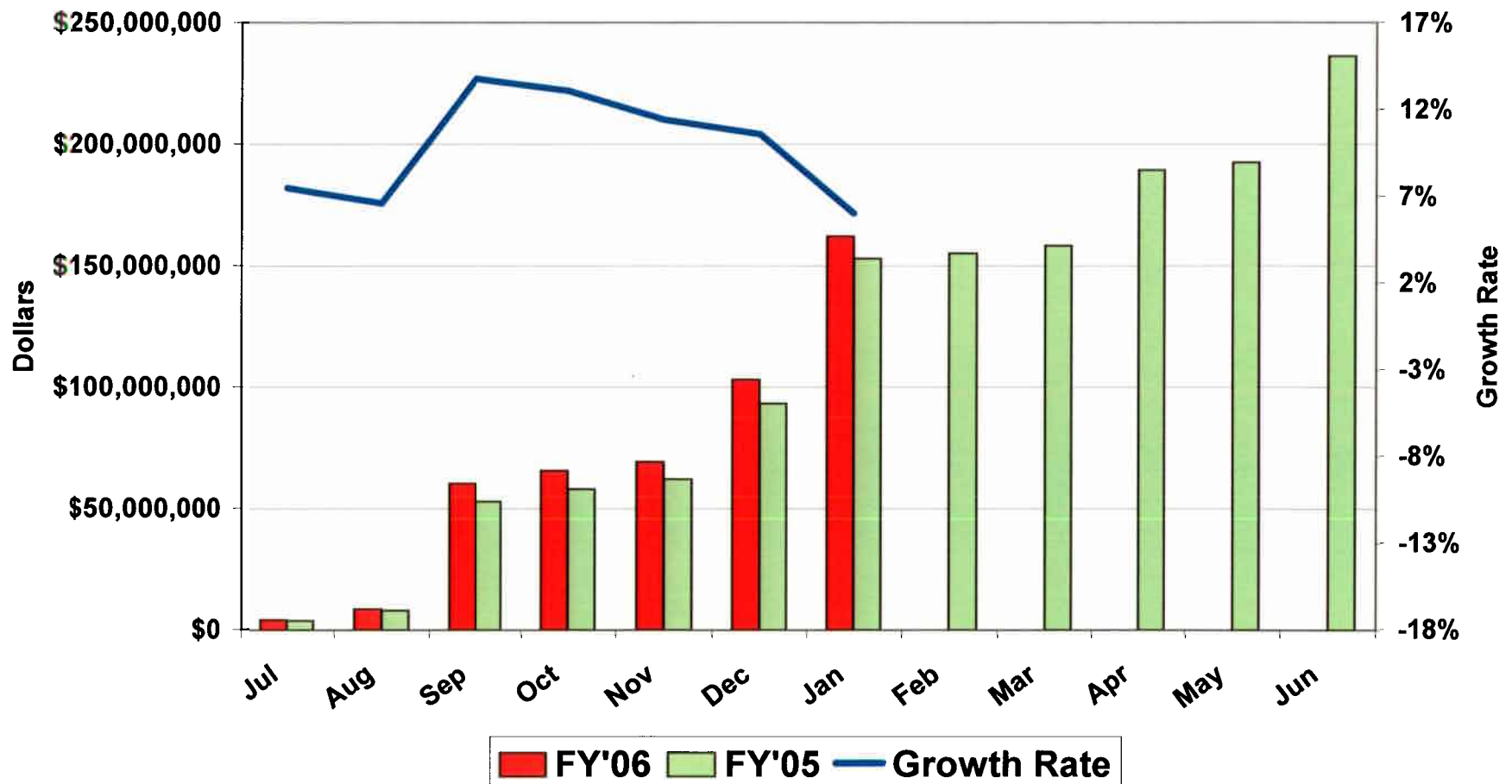
1040 Withholding Year-to-Date FY'06 & FY'05



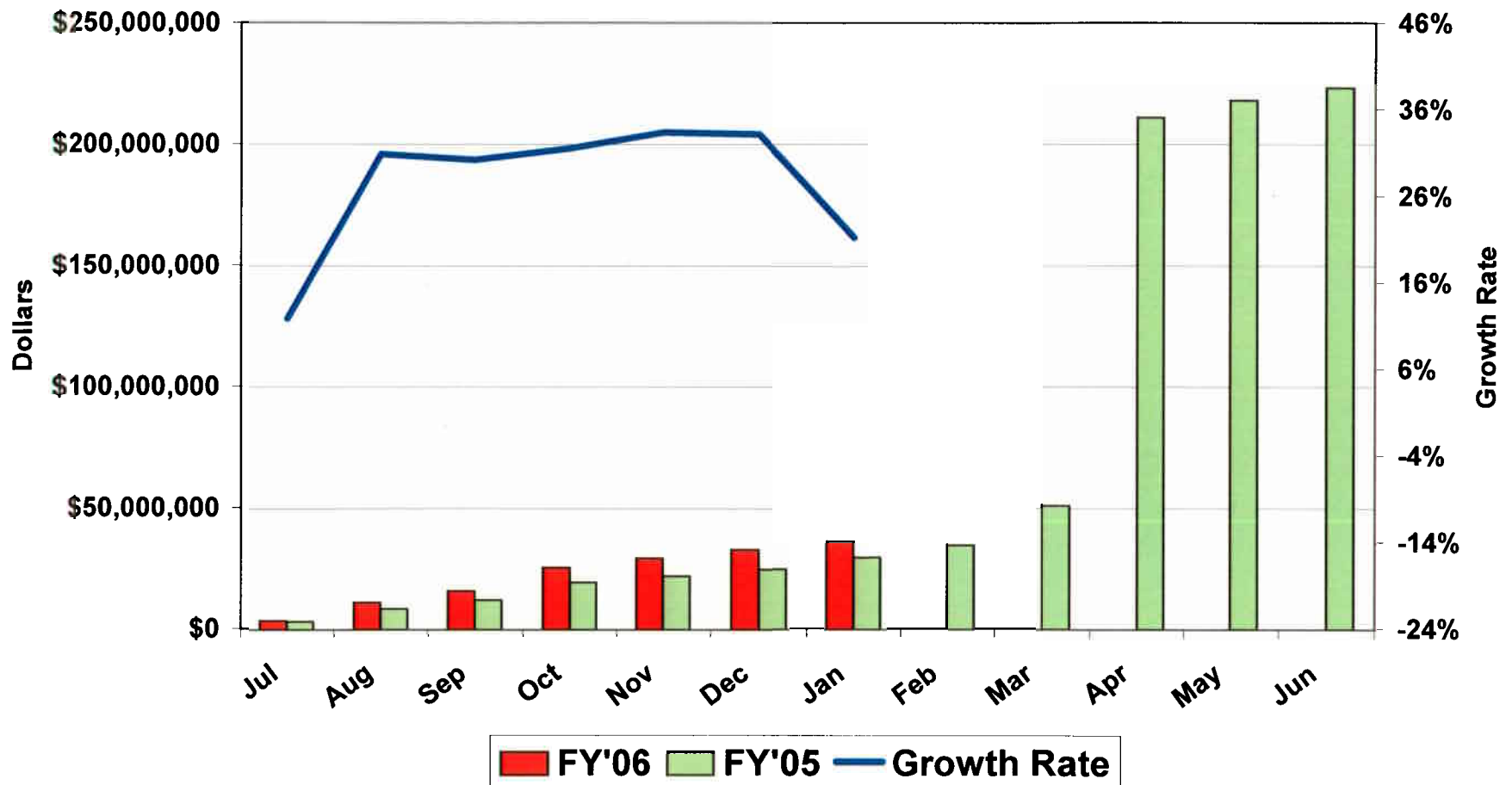
Withholding Tax Revenue 12 Month Moving Total



1040 Estimated Payments Year-to-Date FY'06 & FY'05



1040 Final Payments Year-to-Date FY'06 & FY'05



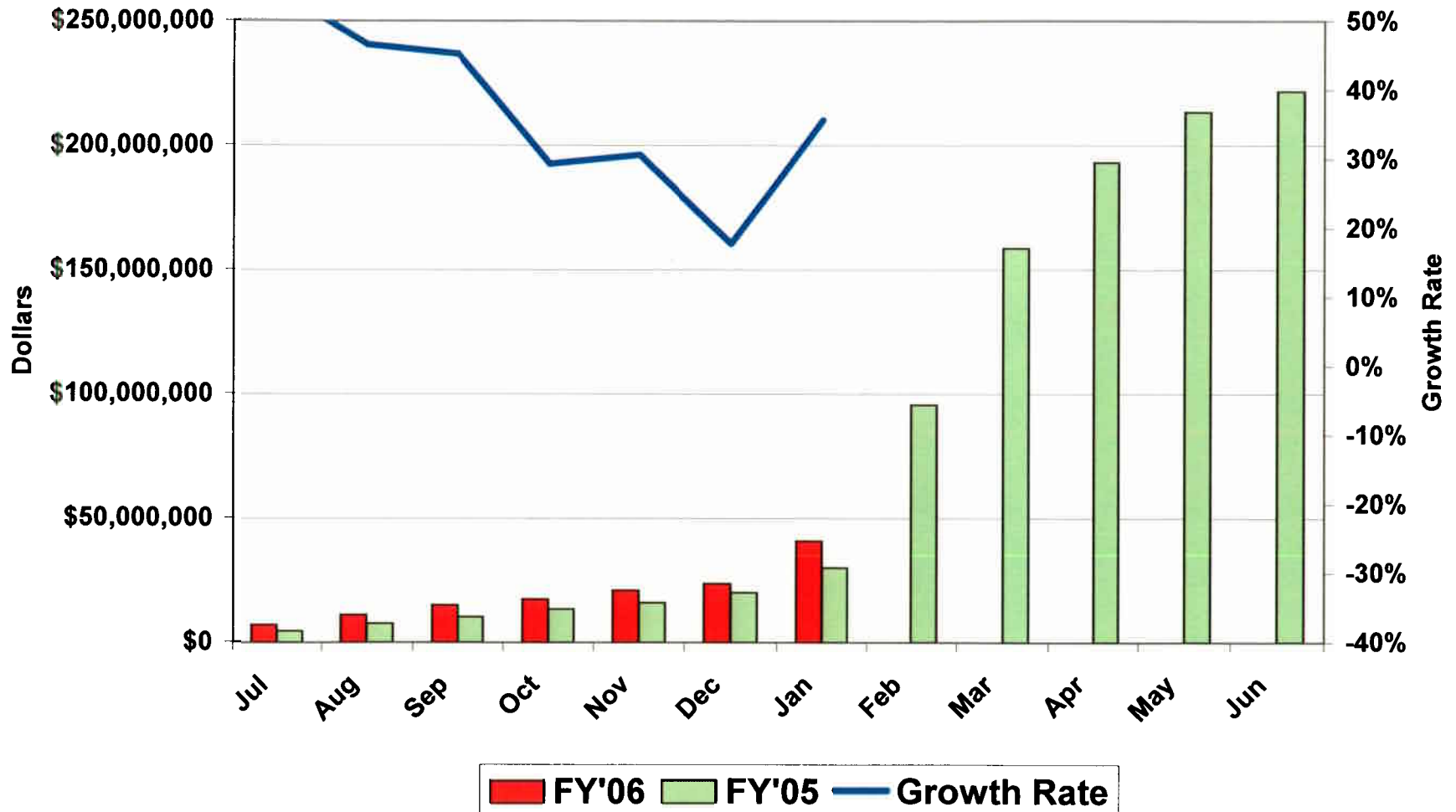
Maine Revenue Services
Individual Income Tax Withholding, Estimated Payments and Final Payments

1040 Withholding				1040 Estimated Payments			1040 Final Payments		
	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate
Jul	\$79,823,176	\$75,860,067	5.2%	\$4,183,949	\$3,892,507	7.5%	\$3,781,077	\$3,378,425	11.9%
Aug	\$94,671,384	\$89,961,525	5.2%	\$4,428,790	\$4,187,223	5.8%	\$7,488,098	\$5,231,286	43.1%
Sep	\$76,131,695	\$71,592,113	6.3%	\$51,617,323	\$44,856,260	15.1%	\$4,711,283	\$3,660,467	28.7%
Oct	\$81,701,685	\$79,165,680	3.2%	\$5,315,815	\$5,026,638	5.8%	\$9,630,450	\$7,193,943	33.9%
Nov	\$95,362,806	\$95,453,138	-0.1%	\$3,647,357	\$4,137,825	-11.9%	\$3,848,840	\$2,617,692	47.0%
Dec	\$93,310,382	\$86,616,071	7.7%	\$33,900,310	\$31,113,174	9.0%	\$3,541,510	\$2,694,751	31.4%
Jan	\$96,933,541	\$92,690,026	4.6%	\$59,056,792	\$59,716,018	-1.1%	\$2,903,270	\$4,823,789	-39.8%
Feb	\$0	\$99,249,893	-100.0%	\$0	\$2,097,323	-100.0%	\$0	\$5,077,327	-100.0%
Mar	\$0	\$82,786,247	-100.0%	\$0	\$3,276,025	-100.0%	\$0	\$16,411,959	-100.0%
Apr	\$0	\$76,375,753	-100.0%	\$0	\$31,141,789	-100.0%	\$0	\$159,938,028	-100.0%
May	\$0	\$88,215,506	-100.0%	\$0	\$3,064,178	-100.0%	\$0	\$7,051,302	-100.0%
Jun	\$0	\$78,471,043	-100.0%	\$0	\$43,667,263	-100.0%	\$0	\$5,240,913	-100.0%

Year-To-Date

1040 Withholding				1040 Estimated Payments			1040 Final Payments		
	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate
Jul	\$79,823,176	\$75,860,067	5.2%	\$4,183,949	\$3,892,507	7.5%	\$3,781,077	\$3,378,425	11.9%
Aug	\$174,494,560	\$165,821,592	5.2%	\$8,612,739	\$8,079,730	6.6%	\$11,269,175	\$8,609,711	30.9%
Sep	\$250,626,255	\$237,413,705	5.6%	\$60,230,062	\$52,935,990	13.8%	\$15,980,458	\$12,270,178	30.2%
Oct	\$332,327,940	\$316,579,385	5.0%	\$65,545,877	\$57,962,628	13.1%	\$25,610,908	\$19,464,121	31.6%
Nov	\$427,690,746	\$412,032,523	3.8%	\$69,193,234	\$62,100,453	11.4%	\$29,459,748	\$22,081,813	33.4%
Dec	\$521,001,128	\$498,648,594	4.5%	\$103,093,544	\$93,213,627	10.6%	\$33,001,258	\$24,776,564	33.2%
Jan	\$617,934,669	\$591,338,620	4.5%	\$162,150,336	\$152,929,645	6.0%	\$35,904,528	\$29,600,353	21.3%
Feb	\$617,934,669	\$690,588,513	-10.5%	\$162,150,336	\$155,026,968	4.6%	\$35,904,528	\$34,677,680	3.5%
Mar	\$617,934,669	\$773,374,760	-20.1%	\$162,150,336	\$158,302,993	2.4%	\$35,904,528	\$51,089,639	-29.7%
Apr	\$617,934,669	\$849,750,513	-27.3%	\$162,150,336	\$189,444,782	-14.4%	\$35,904,528	\$211,027,667	-83.0%
May	\$617,934,669	\$937,966,019	-34.1%	\$162,150,336	\$192,508,960	-15.8%	\$35,904,528	\$218,078,969	-83.5%
Jun	\$617,934,669	\$1,016,437,062	-39.2%	\$162,150,336	\$236,176,223	-31.3%	\$35,904,528	\$223,319,882	-83.9%

Individual Income Tax Refunds Year-to-Date FY'06 & FY'05



**Maine Revenue Services
Individual Income Tax Refunds**

	Month	Year-To-Date			
	FY'06	FY'05	FY'06	FY'05	Growth Rate
Jul	\$7,075,872	\$4,583,354	\$7,075,872	\$4,583,354	54%
Aug	\$4,041,598	\$2,999,037	\$11,117,470	\$7,582,391	47%
Sep	\$3,876,243	\$2,737,110	\$14,993,713	\$10,319,501	45%
Oct	\$2,401,833	\$3,126,619	\$17,395,546	\$13,446,120	29%
Nov	\$3,595,677	\$2,612,597	\$20,991,223	\$16,058,717	31%
Dec	\$2,666,969	\$4,020,831	\$23,658,192	\$20,079,548	18%
Jan	\$17,163,808	\$10,003,650	\$40,822,000	\$30,083,198	36%
Feb	\$0	\$65,483,750	\$40,822,000	\$95,566,948	-57%
Mar	\$0	\$63,007,750	\$40,822,000	\$158,574,698	-74%
Apr	\$0	\$34,534,428	\$40,822,000	\$193,109,126	-79%
May	\$0	\$20,294,585	\$40,822,000	\$213,403,711	-81%
Jun	\$0	\$8,385,145	\$40,822,000	\$221,788,856	-82%

Individual Income Tax: Baseline Forecast FY05 - FY09

	FY02	FY03	Biennium	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium
Actuals & November, 2005 Forecast /1	\$1,069,834,791	\$1,071,701,694	\$2,141,536,485	\$1,156,715,909	\$1,270,225,329	\$2,426,941,238	\$1,239,297,845	\$1,292,127,672	\$2,531,425,517	\$1,334,752,988	\$1,384,613,932	\$2,719,366,920
Growth Rate		0.2%		7.9%	9.8%	13.3%	-2.4%	4.3%	4.3%	3.3%	3.7%	7.4%
BETR Reimbursement /2	\$0	\$0	\$0	\$0	\$0	\$0	\$73,463,191	\$68,146,508	\$141,609,699	\$77,707,000	\$79,646,983	\$157,353,983
Tax & Rent Claims /2	\$0	\$0	\$0	\$0	\$26,030,227	\$26,030,227	\$44,328,964	\$46,095,820	\$90,424,784	\$48,440,013	\$51,389,085	\$99,829,098
Individual Income Tax Before T&R Claims	\$1,069,834,791	\$1,071,701,694	\$2,141,536,485	\$1,156,715,909	\$1,296,255,556	\$2,452,971,465	\$1,357,090,000	\$1,406,370,000	\$2,763,460,000	\$1,460,900,001	\$1,515,650,000	\$2,976,550,001
Growth Rate		0.2%		7.9%	12.1%	14.5%	4.7%	3.6%	12.7%	3.9%	3.7%	7.7%
Technical Adjustments /3	\$0	\$0	\$0	\$0	\$0	\$0	\$2,850,000	\$14,870,000	\$17,720,000	\$15,310,000	\$13,210,000	\$28,520,000
Economic Assumptions /4							(\$15,840,000)	(\$30,220,000)		(\$34,840,000)	(\$40,970,000)	(\$75,810,000)
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$0	\$0	(\$12,990,000)	(\$15,350,000)	(\$28,340,000)	(\$19,530,000)	(\$27,760,000)	(\$47,290,000)
New Forecast	\$1,069,834,791	\$1,071,701,694	\$2,141,536,485	\$1,156,715,909	\$1,296,255,556	\$2,426,941,238	\$1,344,100,000	\$1,391,020,000	\$2,503,085,517	\$1,441,370,001	\$1,487,890,000	\$2,672,076,920
Growth Rate	-8.4%	0.2%	-4.5%	7.9%	12.1%	13.3%	3.7%	3.5%	3.1%	3.6%	3.2%	6.8%
Tax & Rent Claims	\$0	\$0	\$0	\$0	\$26,030,227	\$26,030,227	(\$44,328,964)	(\$46,095,820)	(\$90,424,784)	(\$48,440,013)	(\$51,389,085)	(\$99,829,098)
BETR Reimbursement	\$0	\$0	\$0	\$0	\$0	\$0	(\$71,463,191)	(\$68,146,508)	(\$139,609,699)	(\$77,707,000)	(\$79,646,983)	(\$157,353,983)
Total Individual Income Tax	\$1,069,834,791	\$1,071,701,694	\$2,141,536,485	\$1,156,715,909	\$1,270,225,329	\$2,426,941,238	\$1,228,307,845	\$1,276,777,672	\$2,505,085,517	\$1,315,222,988	\$1,356,853,932	\$2,672,076,920
	-8.4%	0.2%	-4.5%	7.9%	9.8%	13.3%	-3.3%	3.9%	3.2%	3.0%	3.2%	6.7%

1/ November, 2005 forecast with FY02, FY03, FY04 and FY05 actuals.

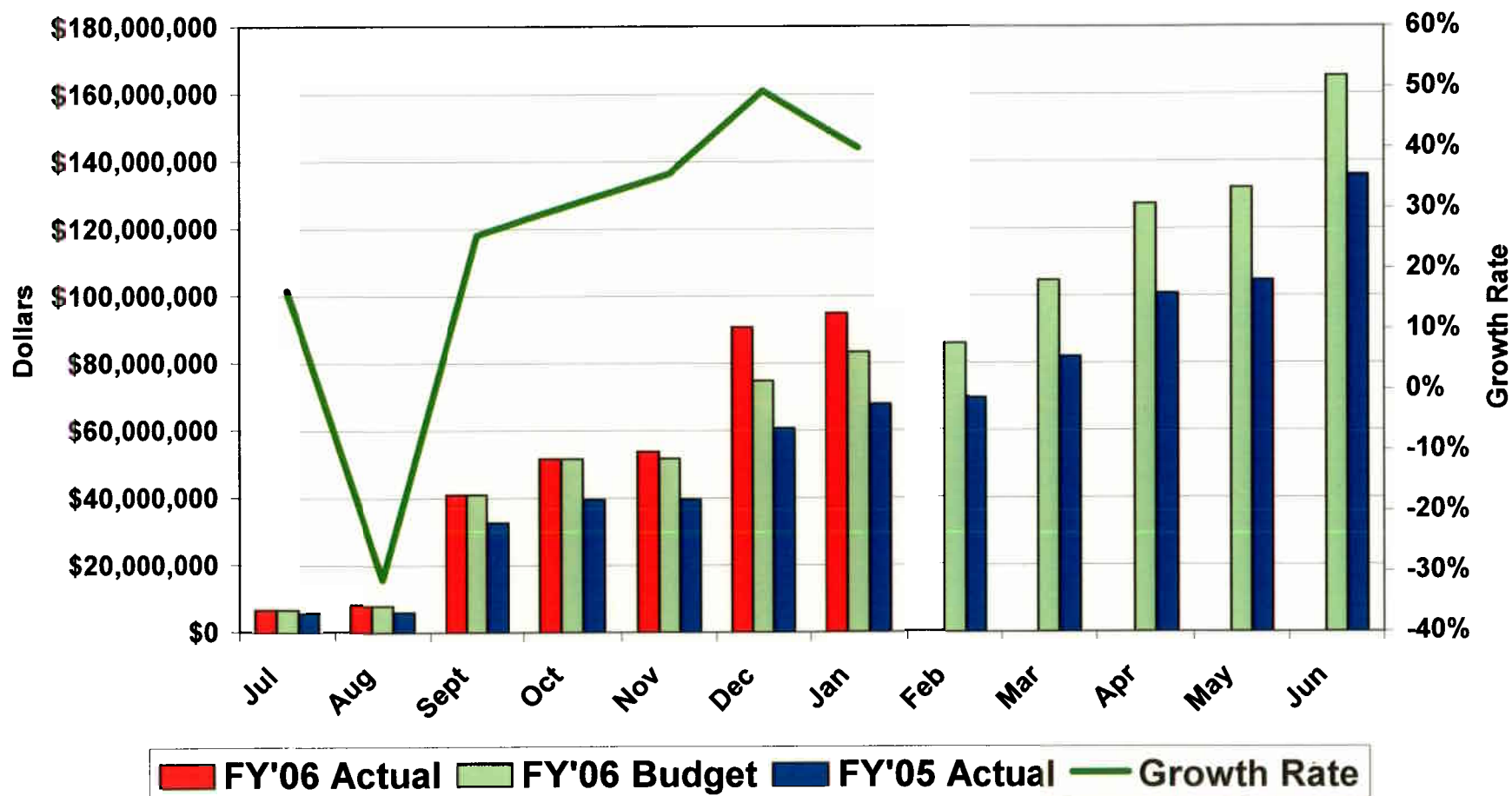
2/ Adjusts for Maine Residents Property Tax Relief Program and BETR transfers.

3/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenues.

4/ This line shows the incremental change in baseline revenues as a result of a new economic forecast.

Corporate Income Tax

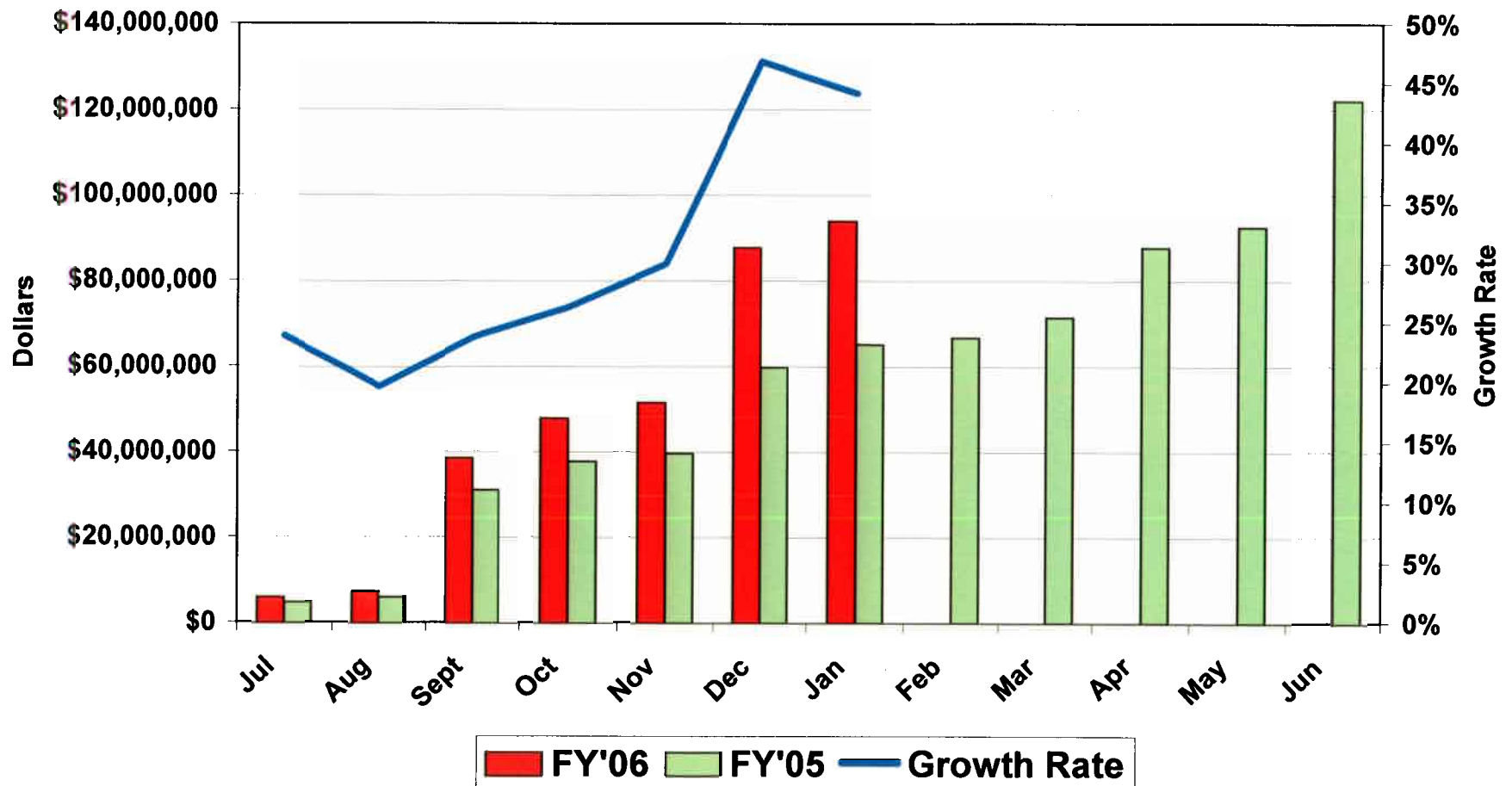
YTD Corporate Income Tax Revenue FY'06 Actual, Budget & FY'05 Actual



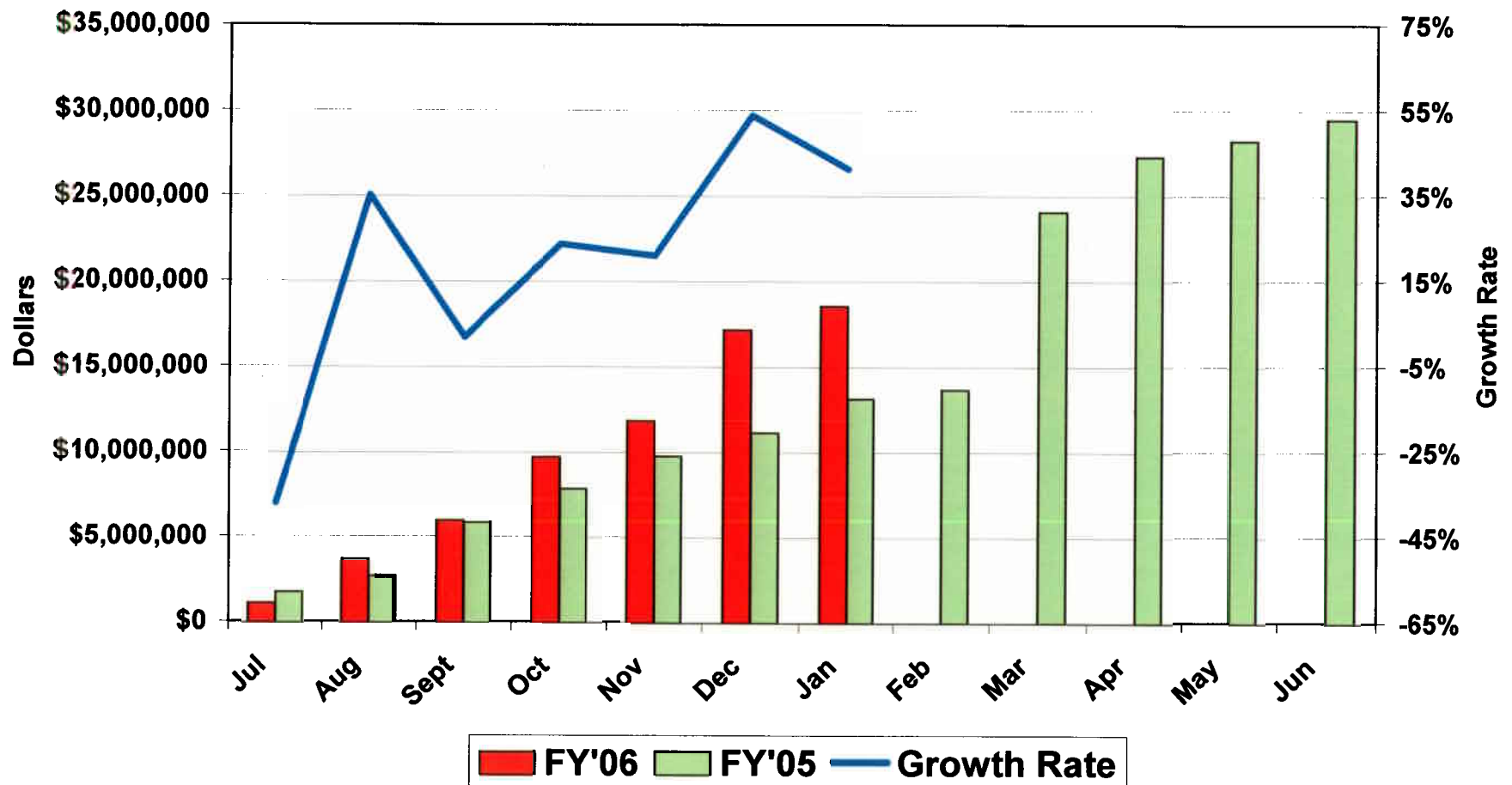
Maine Revenue Services
Corporate Income Tax Revenue

	FY'06 Actual	FY'06 Budget	FY'05 Actual	FY'04 Actual	FY'06 Actual vs. Budget	FY'06 Budget vs. FY'05 Actual	FY'06 Actual vs. FY'05 Actual	FY'05 Actual vs. FY'04 Actual
Jul	\$6,572,991	\$6,572,991	\$5,652,128	\$1,844,586	0.0%	16.3%	16.3%	206.4%
Aug	\$1,350,981	\$1,350,981	\$383,290	(\$1,544,295)	0.0%	-252.5%	-252.5%	-124.8%
Sept	\$33,014,931	\$33,014,931	\$26,575,624	\$20,479,613	0.0%	24.2%	24.2%	29.8%
Oct	\$10,678,165	\$10,678,165	\$6,879,835	\$6,521,532	0.0%	55.2%	55.2%	5.5%
Nov	\$2,120,808	\$111,455	\$91,650	(\$2,510,512)	1802.8%	21.6%	2214.0%	-103.7%
Dec	\$37,029,667	\$23,037,622	\$21,142,998	\$21,808,955	60.7%	9.0%	75.1%	-3.1%
Jan	\$4,128,062	\$8,557,631	\$7,037,070	\$2,774,357	-51.8%	21.6%	-41.3%	153.6%
Feb	\$0	\$2,307,901	\$1,897,822	\$2,086,831	-100.0%	21.6%	-100.0%	-9.1%
Mar	\$0	\$18,872,613	\$12,229,975	\$14,454,770	-100.0%	54.3%	-100.0%	-15.4%
Apr	\$0	\$22,797,564	\$18,746,782	\$17,686,082	-100.0%	21.6%	-100.0%	6.0%
May	\$0	\$4,759,689	\$3,913,964	\$5,571,195	-100.0%	21.6%	-100.0%	-29.7%
Jun	\$0	\$33,158,457	\$31,311,776	\$22,442,938	-100.0%	5.9%	-100.0%	39.5%
=====								
Total	\$94,895,605	\$165,220,000	\$135,862,914	\$111,616,052	-42.6%	21.6%	-30.2%	21.7%
=====								
YTD Jan	\$94,895,605	\$83,323,776	\$67,762,595	\$49,374,236	13.9%	23.0%	40.0%	37.2%
=====								

Corporate Estimated Payments Year-to-Date FY'06 & FY'05



Corporate Final Payments Year-to-Date FY'06 & FY'05



Maine Revenue Services

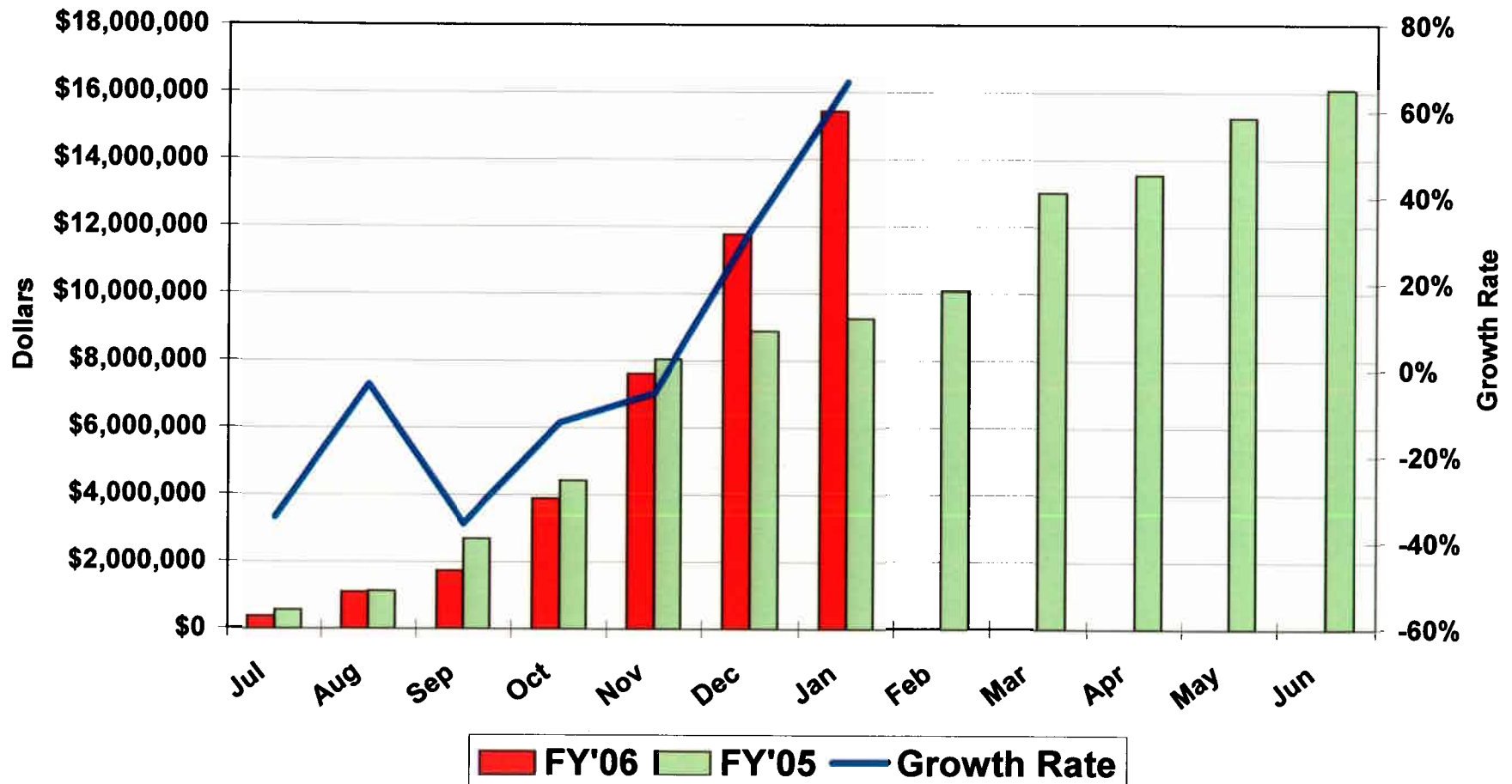
Corporate Income Tax Estimated Payments

	Month			Year-To-Date		
	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate
Jul	\$5,871,828	\$4,736,328	24.0%	\$5,871,828	\$4,736,328	24.0%
Aug	\$1,309,795	\$1,258,467	4.1%	\$7,181,623	\$5,994,795	19.8%
Sept	\$31,230,893	\$25,021,543	24.8%	\$38,412,516	\$31,016,338	23.8%
Oct	\$9,293,911	\$6,731,932	38.1%	\$47,706,427	\$37,748,270	26.4%
Nov	\$3,798,678	\$1,876,569	102.4%	\$51,505,105	\$39,624,839	30.0%
Dec	\$36,190,426	\$20,093,667	80.1%	\$87,695,531	\$59,718,506	46.8%
Jan	\$6,266,175	\$5,437,253	15.2%	\$93,961,706	\$65,155,759	44.2%
Feb	\$0	\$1,573,196	-100.0%	\$93,961,706	\$66,728,955	40.8%
Mar	\$0	\$4,736,531	-100.0%	\$93,961,706	\$71,465,486	31.5%
Apr	\$0	\$16,338,927	-100.0%	\$93,961,706	\$87,804,413	7.0%
May	\$0	\$4,789,059	-100.0%	\$93,961,706	\$92,593,472	1.5%
Jun	\$0	\$29,466,862	-100.0%	\$93,961,706	\$122,060,334	-23.0%

Corporate Income Tax Final Payments and Back Taxes

	Month			Year-To-Date		
	FY'06	FY'05	Growth Rate	FY'06	FY'05	Growth Rate
Jul	\$1,115,193	\$1,764,609	-36.8%	\$1,115,193	\$1,764,609	-36.8%
Aug	\$2,538,795	\$936,790	171.0%	\$3,653,988	\$2,701,399	35.3%
Sept	\$2,296,797	\$3,135,737	-26.8%	\$5,950,785	\$5,837,136	1.9%
Oct	\$3,755,665	\$2,006,164	87.2%	\$9,706,450	\$7,843,300	23.8%
Nov	\$2,128,308	\$1,931,876	10.2%	\$11,834,758	\$9,775,176	21.1%
Dec	\$5,328,624	\$1,379,519	286.3%	\$17,163,382	\$11,154,695	53.9%
Jan	\$1,394,439	\$1,974,888	-29.4%	\$18,557,821	\$13,129,583	41.3%
Feb	\$0	\$538,429	-100.0%	\$18,557,821	\$13,668,012	35.8%
Mar	\$0	\$10,412,720	-100.0%	\$18,557,821	\$24,080,732	-22.9%
Apr	\$0	\$3,211,907	-100.0%	\$18,557,821	\$27,292,639	-32.0%
May	\$0	\$972,145	-100.0%	\$18,557,821	\$28,264,784	-34.3%
Jun	\$0	\$1,250,566	-100.0%	\$18,557,821	\$29,515,350	-37.1%

Corporate Income Tax Refunds Year-to-Date FY'06 & FY'05



**Maine Revenue Services
Corporate Income Tax Refunds**

	Month		Year-to-Date		Growth Rate
	FY'06	FY'05	FY'06	FY'05	
Jul	\$373,068	\$565,674	\$373,068	\$565,674	-34%
Aug	\$717,461	\$561,408	\$1,090,529	\$1,127,082	-3%
Sep	\$640,530	\$1,559,137	\$1,731,059	\$2,686,219	-36%
Oct	\$2,154,964	\$1,733,045	\$3,886,023	\$4,419,264	-12%
Nov	\$3,722,588	\$3,616,086	\$7,608,611	\$8,035,350	-5%
Dec	\$4,158,121	\$845,103	\$11,766,732	\$8,880,453	33%
Jan	\$3,666,874	\$371,777	\$15,433,606	\$9,252,230	67%
Feb	\$0	\$824,061	\$15,433,606	\$10,076,291	53%
Mar	\$0	\$2,944,669	\$15,433,606	\$13,020,960	19%
Apr	\$0	\$525,379	\$15,433,606	\$13,546,339	14%
May	\$0	\$1,694,068	\$15,433,606	\$15,240,407	1%
Jun	\$0	\$835,823	\$15,433,606	\$16,076,230	-4%

February, 2006 Corporate Income Tax Baseline Forecast

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Corporate Profits before Tax (Administration)	1,059	1,425 35%	1,506 6%	1,497 -1%	1,516 1%	1,495 -1%
November Liability Growth	107.72	134.96 25%	134.70 0%	134.70 0%	134.70 0%	132.42 -2%
February Liability (Technicals)	107.72	146.21 36%	145.44 -1%	143.68 -1%	144.37 0%	145.03 0%
February Liability (Economic)	107.23	144.89 35%	143.55 -1%	141.67 -1%	142.73 1%	143.97 1%
CPI-U		195.3	201.2	206.8	212.6	218.5

Corporate Income Tax: General Fund Baseline Forecast FY06 - FY09

	FY02	FY03	Biennium	FY04	FY05	Biennium	FY06	FY07	Biennium	FY08	FY09	Biennium
Actuals & November, 2005 Forecast /1	\$77,366,103	\$91,188,393	\$168,554,496	\$111,616,051	\$135,862,913	\$247,478,964	\$165,220,000	\$158,980,000	\$324,200,000	\$157,970,000	\$158,000,000	\$315,970,000
Growth Rate		17.9%		22.4%	21.7%	46.8%	21.6%	-3.8%	31.0%	-0.6%	0.0%	-2.5%
Technical Adjustments to Prior Forecast /2	\$0	\$0	\$0	\$0	\$0	\$0	\$11,250,000	\$10,740,000	\$21,990,000	\$8,980,000	\$9,670,000	\$18,650,000
Economic Forecast /3	\$0	\$0	\$0	\$0	\$0	\$0	(\$1,320,000)	(\$1,890,000)	(\$3,210,000)	(\$2,010,000)	(\$1,640,000)	(\$3,650,000)
Total Adjustments to Prior Forecast	\$0	\$0	\$0	\$0	\$0	\$0	\$9,930,000	\$8,850,000	\$18,780,000	\$6,970,000	\$8,030,000	\$15,000,000
New Forecast	\$77,366,103	\$91,188,393	\$168,554,496	\$111,616,051	\$135,862,913	\$247,478,964	\$175,150,000	\$167,830,000	\$342,980,000	\$164,940,000	\$166,030,000	\$330,970,000
Growth Rate	-19.5%	17.9%	-31.5%	22.4%	21.7%	46.8%	28.9%	-4.2%	38.6%	-1.7%	0.7%	-3.5%

1/ November, 2005 forecast with FY02, FY03, FY04, FY05 actuals.

2/ Technical adjustments refer to all changes in the forecast that are not related to changes from new economic assumptions. Examples of technical changes may be new data, model updates and changes, and court cases that affect revenue

3/ This line shows the incremental change in baseline revenues as a result of a new economic forecast.

Cigarette & Tobacco Taxes

**Maine Revenue Services
Cigarette and Tobacco Tax
Feb 2006 Forecast**

FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
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Cigarette Tax

Actual '03 - '05 & current budget	\$94,397,943	\$92,625,638	\$91,906,017	\$142,241,668	\$160,090,814	\$158,913,147	\$157,604,859
Growth rate		-1.9%	-0.8%	54.8%	12.5%		
Feb 2006 forecast				\$146,741,668	\$160,090,814	\$158,913,147	\$157,604,859
Growth rate				59.7%	9.1%	-0.7%	-0.8%
Variance				\$4,500,000	\$0	\$0	\$0

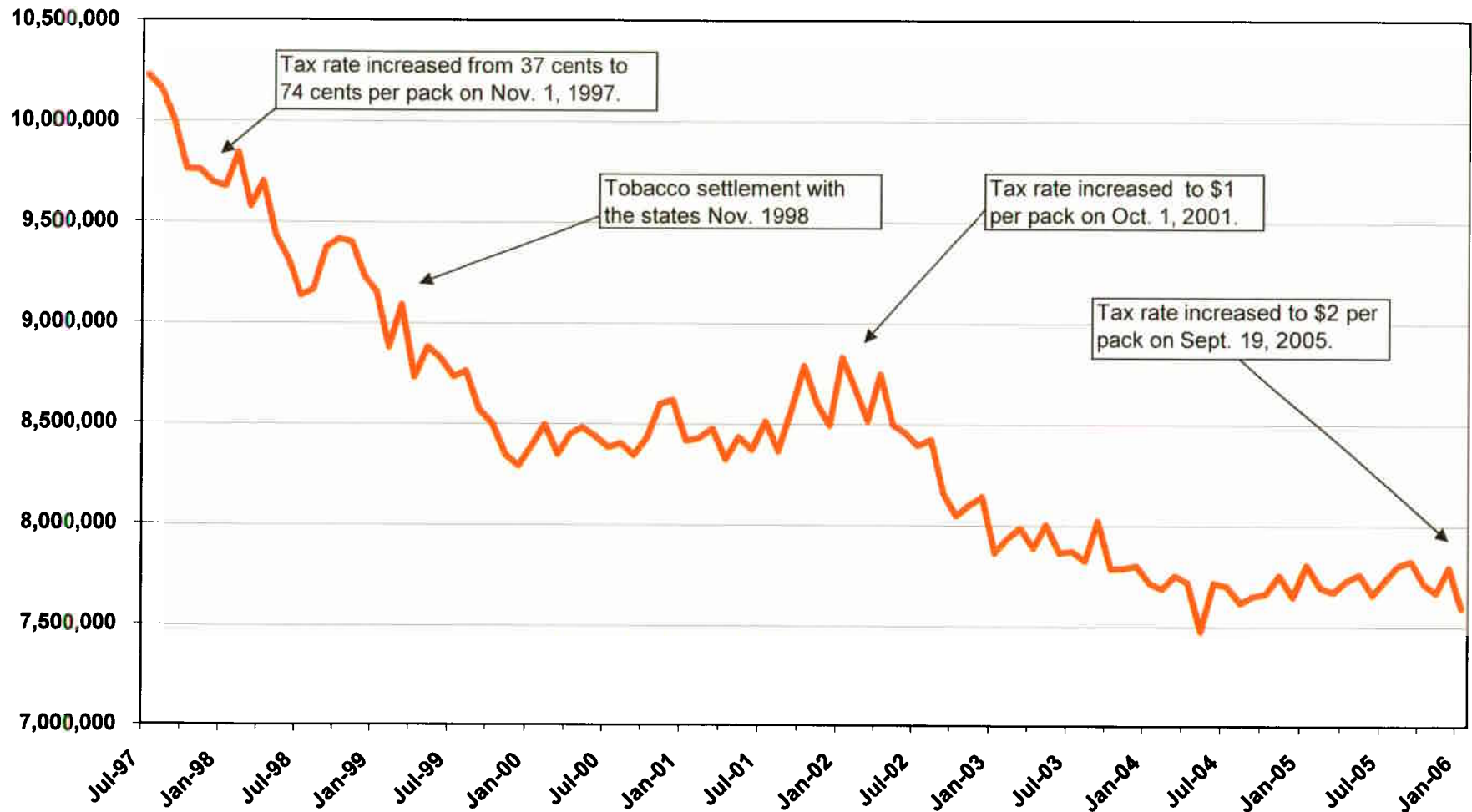
Tobacco Products Tax

Actual '03 - '05 & current budget	\$4,016,527	\$3,979,008	\$4,444,687	\$4,996,657	\$5,376,068	\$5,483,591	\$5,593,261
Growth rate		-0.9%	11.7%	12.4%	7.6%		
Feb 2006 forecast				\$4,996,657	\$5,376,068	\$5,483,591	\$5,593,261
Growth rate				12.4%	7.6%	2.0%	2.0%
Variance				\$0	\$0	\$0	\$0

Total Cigarette & Tobacco Taxes

Actual '03 - '05 & current budget	\$98,414,470	\$96,604,646	\$96,350,704	\$147,238,325	\$165,466,882	\$164,396,738	\$163,198,120
Growth rate		-1.8%	-0.3%	52.8%	12.4%		
Feb 2006 forecast				\$151,738,325	\$165,466,882	\$164,396,738	\$163,198,120
Growth rate				57.5%	9.0%	-0.6%	-0.7%
Variance				\$4,500,000	\$0	\$0	\$0

Packages of Cigarettes Sold Derived from Revenue 12 Month Moving Average Jul '97 to Date



CIGARETTE TAX RECEIPTS - ACTUAL VS BUDGET FY 2005

Month	Actual	Budget	Difference	Cum Diff
=====	=====	=====	=====	=====
July	\$8,145,337	\$7,678,040	\$467,297	\$467,297
August	\$8,526,903	\$8,857,151	(\$330,248)	\$137,049
September	\$9,367,257	\$7,516,309	\$1,850,948	\$1,987,997
October	\$7,182,685	\$9,111,312	(\$1,928,627)	\$59,370
November	\$8,314,259	\$7,105,954	\$1,208,305	\$1,267,675
December	\$6,594,302	\$7,523,389	(\$929,087)	\$338,588
January	\$7,637,724	\$7,459,459	\$178,265	\$516,853
=====	=====	=====	=====	=====
Year-To-Date	\$55,768,467	\$55,251,614	\$516,853	
=====	=====	=====	=====	=====
February	\$5,721,442	\$6,926,373	(\$1,204,931)	(\$688,078)
March	\$7,758,299	\$7,256,873	\$501,426	(\$186,652)
April	\$7,676,609	\$7,541,960	\$134,649	(\$52,003)
May	\$6,856,908	\$7,904,251	(\$1,047,343)	(\$1,099,346)
June	\$8,124,291	\$6,918,929	\$1,205,362	\$106,016
=====	=====	=====	=====	=====
Total	\$91,906,016	\$91,800,000	\$106,016	
=====	=====	=====	=====	=====

CIGARETTE TAX RECEIPTS - ACTUAL VS BUDGET FY 2006

Month	Actual	Budget	Difference	Cum Diff
=====	=====	=====	=====	=====
July	\$9,046,338	\$7,524,404	\$1,521,934	\$1,521,934
August	\$9,377,889	\$8,679,921	\$697,968	\$2,219,902
September	\$12,819,108	\$10,209,968	\$2,609,140	\$4,829,042
October	\$11,735,355	\$15,085,885	(\$3,350,530)	\$1,478,512
November	\$15,520,765	\$12,245,506	\$3,275,259	\$4,753,771
December	\$16,196,603	\$12,574,099	\$3,622,504	\$8,376,275
January	\$10,415,267	\$12,661,795	(\$2,246,528)	\$6,129,747
=====	=====	=====	=====	=====
Year-To-Date	\$85,111,325	\$78,981,578	\$6,129,747	
=====	=====	=====	=====	=====
February	\$0	\$11,514,431	(\$11,514,431)	(\$5,384,684)
March	\$0	\$12,375,962	(\$12,375,962)	(\$17,760,646)
April	\$0	\$12,793,767	(\$12,793,767)	(\$30,554,413)
May	\$0	\$13,198,045	(\$13,198,045)	(\$43,752,458)
June	\$0	\$13,377,885	(\$13,377,885)	(\$57,130,343)
=====	=====	=====	=====	=====
Total	\$85,111,325	\$142,241,668	(\$57,130,343)	
=====	=====	=====	=====	=====

TOBACCO PRODUCTS TAXES - ACTUAL VS BUDGET FY 2005

Month	Actual	Budget	Difference	Cum Diff
=====	=====	=====	=====	=====
July	285,990	303,332	(17,342)	(17,342)
August	268,201	-14,448	282,649	265,307
September	197,705	363,560	(165,855)	99,452
October	513,921	476,301	37,620	137,072
November	229,304	272,165	(42,861)	94,211
December	370,351	392,513	(22,162)	72,049
January	363,291	334,067	29,224	101,273
=====	=====	=====	=====	=====
Year-To-Date	2,228,763	2,127,490	101,273	
=====	=====	=====	=====	=====
February	317,137	357,733	(40,596)	60,677
March	332,001	297,076	34,925	95,602
April	315,933	264,782	51,151	146,753
May	358,885	455,620	(96,735)	50,018
June	891,967	717,163	174,804	224,822
=====	=====	=====	=====	=====
Total	4,444,686	4,219,864	224,822	
=====	=====	=====	=====	=====

TOBACCO PRODUCTS TAXES - ACTUAL VS BUDGET FY 2006

Month	Actual	Budget	Difference	Cum Diff
=====	=====	=====	=====	=====
July	352,020	313,840	38,180	38,180
August	110,912	-14,948	125,860	164,040
September	148,290	376,154	(227,864)	(63,824)
October	519,438	492,801	26,637	(37,187)
November	293,049	341,462	(48,413)	(85,600)
December	702,225	492,451	209,774	124,174
January	350,394	419,123	(68,729)	55,445
=====	=====	=====	=====	=====
Year-To-Date	2,476,328	2,420,883	55,445	
=====	=====	=====	=====	=====
February	0	448,815	(448,815)	(393,370)
March	0	372,714	(372,714)	(766,084)
April	0	332,199	(332,199)	(1,098,283)
May	0	571,626	(571,626)	(1,669,909)
June	0	850,420	(850,420)	(2,520,329)
=====	=====	=====	=====	=====
Total	2,476,328	4,996,657	(2,520,329)	
=====	=====	=====	=====	=====

Other Taxes

Maine Revenue Services
Insurance Premiums Tax
February 2006 Forecast

	FY'01	FY'02	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Actual and budget FY'06 - '09	\$42,462,748	\$54,263,602 27.8%	\$69,361,339 27.8%	\$70,015,444 0.9%	\$73,798,850 5.4%	\$75,002,338 1.6%	\$77,461,747 3.3%	\$78,921,895 1.9%	\$80,411,245 1.9%
February 2006 forecast						\$70,002,338	\$77,461,747	\$78,921,895	\$80,411,245
Variance						(\$5,000,000) -5.1%	\$0 10.7%	\$0 1.9%	\$0 1.9%

2/21/2006

**Maine Revenue Services
February 2006 Forecast**

	FY'02	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Real Estate Transfer Tax - General Fund								
Actual and current budget	\$9,208,923	\$10,770,668	\$22,196,221	\$24,113,439	\$19,504,918	\$19,314,440	\$11,884,726	\$11,955,435
February 2006 forecast					\$22,504,918	\$19,314,440	\$11,884,726	\$11,955,435
Variance					\$3,000,000	\$0	\$0	\$0
Real Estate Transfer Tax - H.O.M.E. Fund								
Actual and current budget	\$9,208,498	\$10,758,160	\$6,216,471	\$8,881,845	\$4,304,918	\$4,114,440	\$11,684,726	\$11,755,435
February 2006 forecast					\$7,304,918	\$4,114,440	\$11,684,726	\$11,755,435
Variance					\$3,000,000	\$0	\$0	\$0
Real Estate Transfer Tax - Total								
Actual and current budget	\$18,417,421	\$21,528,828	\$28,412,693	\$32,995,284	\$23,809,836	\$23,428,879	\$23,569,452	\$23,710,869
Growth rate		16.9%	32.0%	16.1%	-27.8%	-1.6%	0.6%	0.6%
February 2006 forecast					\$29,809,836	\$23,428,879	\$23,569,452	\$23,710,869
Variance					\$6,000,000	\$0	\$0	\$0
Growth rate					-9.7%	-21.4%	0.6%	0.6%

Highway Fund

Maine Revenue Services

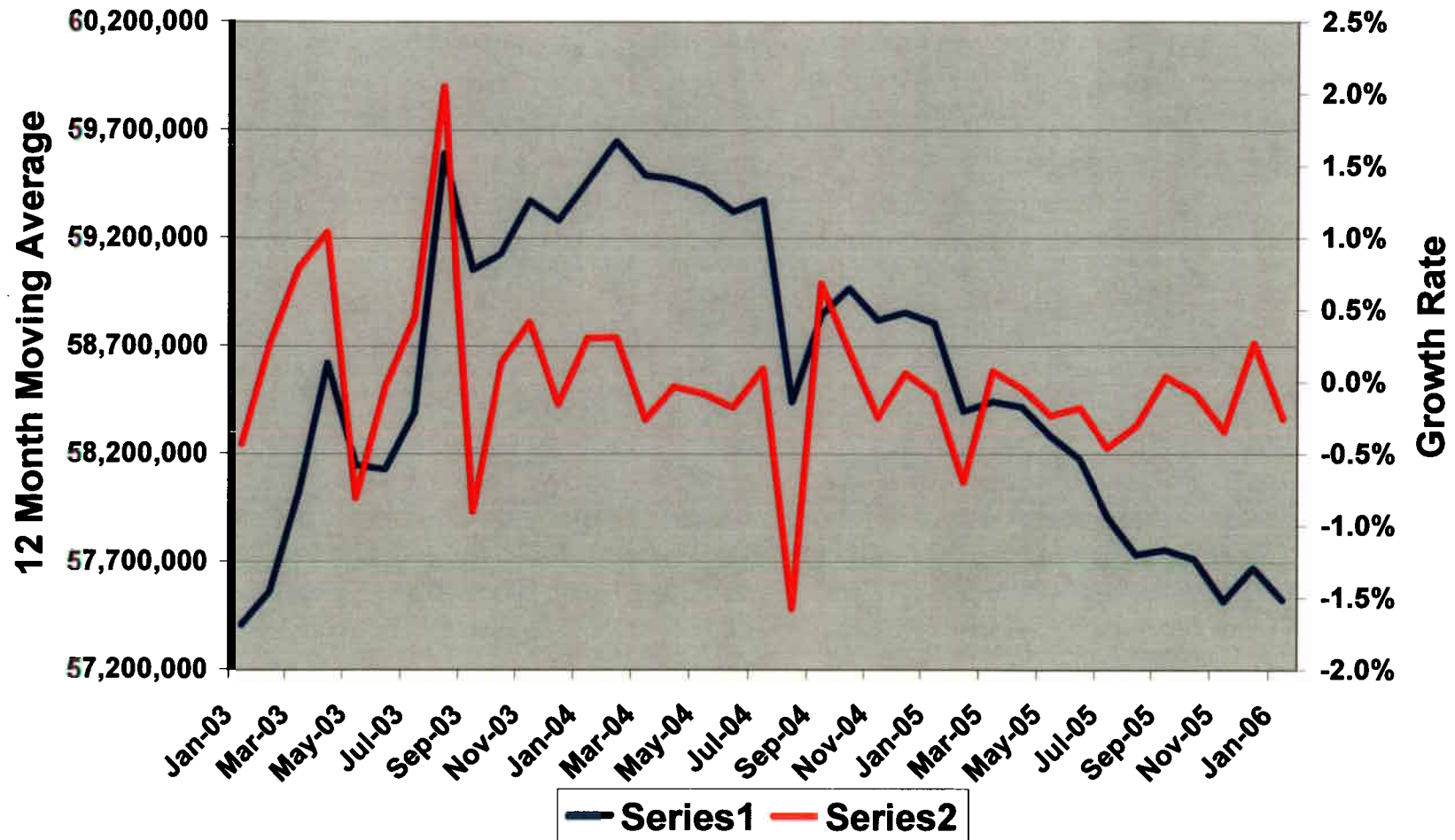
February 2006 Highway Fund Motor Fuel Tax Revenue Forecast 2006 - 2009

Gasoline Tax Revenue	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Actual & current budget	\$151,498,395	\$172,209,713	\$175,084,215	\$184,282,713	\$187,065,289	\$193,304,759	\$199,075,135
Growth rate		13.7%	1.7%	5.3%	1.5%	3.3%	3.0%
Tax rate per gallon	\$0.220	\$0.246	\$0.252	\$0.259	\$0.267	\$0.274	\$0.281
Percentage increase in tax rate		11.8%	2.3%	2.8%	3.2%	2.6%	2.6%
February 2006 forecast				\$180,216,993	\$186,909,290	\$193,451,008	\$199,474,882
Growth rate				2.9%	3.7%	3.5%	3.1%
Tax rate per gallon			\$0.252	\$0.259	\$0.268	\$0.276	\$0.284
Percentage increase in tax rate				2.8%	3.5%	3.0%	2.9%
Variance				(\$4,065,720)	(\$155,999)	\$146,249	\$399,747
Special Fuel Tax Revenue	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Actual & current budget	\$36,402,613	\$40,391,248	\$45,400,514	\$46,640,000	\$47,890,000	\$49,100,000	\$50,020,000
Growth rate		11.0%	12.4%	2.7%	2.7%	2.5%	1.9%
Tax rate per gallon	\$0.230	\$0.257	\$0.263	\$0.270	\$0.279	\$0.287	\$0.294
Percentage increase in tax rate		11.7%	2.3%	2.7%	3.3%	2.9%	2.4%
February 2006 forecast				\$46,560,000	\$47,880,000	\$49,130,000	\$50,240,000
Growth rate				2.6%	2.8%	2.6%	2.3%
Tax rate per gallon			\$0.263	\$0.270	\$0.279	\$0.287	\$0.295
Percentage increase in tax rate				2.7%	3.3%	2.9%	2.8%
Variance				(\$80,000)	(\$10,000)	\$30,000	\$220,000
Total Motor Fuel Tax Revenue	FY'03	FY'04	FY'05	FY'06	FY'07	FY'08	FY'09
Actual & current budget	\$187,901,008	\$212,600,961	\$220,484,728	\$230,922,713	\$234,955,289	\$242,404,759	\$249,095,135
Growth rate		13.1%	3.7%	4.7%	1.7%	3.2%	2.8%
February 2006 forecast				\$226,776,993	\$234,789,290	\$242,581,008	\$249,714,882
Growth rate				2.9%	3.5%	3.3%	2.9%
Variance				(\$4,145,720)	(\$165,999)	\$176,249	\$619,747
Biennium					(\$4,311,719)		\$795,996

Maine Revenue Services
Gasoline Tax Revenue Forecast FY'06 - FY'09
February 2006

		FY'06	FY'07	FY'08	FY'09		
Gas tax forecast - Highway Fund		\$180,216,993	\$186,909,290	\$193,451,008	\$199,474,882		
Percentage Change			3.7%	3.5%	3.1%		
Tax rate in cents per gallon		\$0.259	\$0.268	\$0.276	\$0.284		
Forecasted inflation adjustment			3.5%	3.0%	2.9%		
		FY'06	FY'07	FY'08	FY'09		
Net to the Highway Fund		\$180,216,993	\$186,909,290	\$193,451,008	\$199,474,882		
Transfer \$100,000 to STAR Fund		(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)		
Gross to the Highway Fund		\$180,316,993	\$187,009,290	\$193,551,008	\$199,574,882	97.499%	
DIF&W and Snowmobile Fund	0.9045%	\$1,672,799	\$1,734,883	\$1,795,571	\$1,851,454	0.9045%	
General Fund - DIF&W - 14.93%		\$249,749	\$259,018	\$268,079	\$276,422		14.930%
Snowmobile Trail Fund - 85.07%		\$1,423,050	\$1,475,865	\$1,527,492	\$1,575,032		85.070%
All-terrain Vehicles	0.1525%	\$282,036	\$292,504	\$302,736	\$312,158	0.1525%	
ATV Enforcement Fund- 50%		\$141,018	\$146,252	\$151,368	\$156,079		50.000%
ATV Recreational Fund - 50%		\$141,018	\$146,252	\$151,368	\$156,079		50.000%
Motorboats	1.4437%	\$2,670,005	\$2,769,100	\$2,865,965	\$2,955,162	1.4437%	
Dept. of Marine Resources - 24.6%		\$656,821	\$681,199	\$705,027	\$726,970		24.600%
Boating Facilities Fund - 75.4%		\$2,013,184	\$2,087,901	\$2,160,938	\$2,228,192		75.400%
Total revenue		\$184,941,833	\$191,805,777	\$198,515,280	\$204,693,656	100.000%	

Gallons of Gasoline Derived from Revenue Before Refunds



Gasoline Tax Revenue Net to Highway Fund - FY 2005

MONTH	ACTUAL	BUDGET	DIFF	Y-T-D DIFF
July	\$15,236,711	\$15,236,711	\$0	\$0
August	\$2,211,650	\$2,211,650	\$0	\$0
September	\$17,514,391	\$17,514,391	\$0	\$0
October	\$15,149,654	\$15,080,784	\$68,870	\$68,870
November	\$14,779,525	\$15,277,023	(\$497,498)	(\$428,628)
December	\$13,667,695	\$13,514,301	\$153,394	(\$275,234)
January	\$14,362,931	\$14,511,086	(\$148,155)	(\$423,389)
Y-T-DATE	\$92,922,557	\$93,345,946	(\$423,389)	
February	\$13,070,269	\$14,322,730	(\$1,252,461)	\$1,675,850)
March	\$12,827,628	\$12,703,456	\$124,172	(\$1,551,678)
April	\$13,257,384	\$13,270,014	(\$12,630)	\$1,564,308)
May	\$12,439,101	\$12,856,037	(\$416,936)	\$1,981,244)
June	\$30,567,278	\$31,474,579	(\$907,301)	(\$2,888,545)
Total	\$175,084,217	\$177,972,762	(\$2,888,545)	

Gasoline Tax Revenue Net to Highway Fund - FY 2006

MONTH	ACTUAL	BUDGET	DIFF	Y-T-D DIFF
July	\$14,775,489	\$14,775,489	(\$0)	(\$0)
August	\$1,179,227	\$1,179,228	(\$1)	(\$1)
September	\$17,997,604	\$17,997,603	\$1	(\$0)
October	\$15,433,761	\$15,433,761	\$0	(\$0)
November	\$14,610,949	\$14,610,949	\$0	(\$0)
December	\$14,525,883	\$14,128,417	\$397,466	\$397,466
January	\$14,271,956	\$18,399,906	(\$4,127,950)	(\$3,730,484)
Y-T-DATE	\$92,794,869	\$96,525,353	(\$3,730,484)	
February	\$0	\$14,960,777	(\$14,960,777)	(\$18,691,261)
March	\$0	\$13,230,638	(\$13,230,638)	(\$31,921,899)
April	\$0	\$13,836,424	(\$13,836,424)	(\$45,758,323)
May	\$0	\$13,411,442	(\$13,411,442)	(\$59,169,765)
June	\$0	\$32,318,079	(\$32,318,079)	(\$91,487,844)
Total	\$92,794,869	\$184,282,713	(\$91,487,844)	

Special Fuel Tax - FY 2005

MONTH	ACTUAL	BUDGET	DIFF	Y-T-D DIFF
=====	=====	=====	=====	=====
July	\$2,914,100	\$2,914,099	\$1	\$1
August	\$183,586	(\$409,475)	\$593,061	\$593,062
September	\$3,937,046	\$3,937,046	\$0	\$593,062
October	\$4,222,365	\$4,222,366	(\$1)	\$593,061
November	\$3,770,927	\$3,043,077	\$727,850	\$1,320,911
December	\$4,466,689	\$4,729,184	(\$262,495)	\$1,058,416
January	\$3,593,331	\$3,382,881	\$210,450	\$1,268,866
=====	=====	=====	=====	=====
Y-T-DATE	\$23,088,044	\$21,819,178	\$1,268,866	
=====	=====	=====	=====	=====
February	\$2,474,027	\$2,592,854	(\$118,827)	\$1,150,039
March	\$4,458,700	\$3,980,637	\$478,063	\$1,628,102
April	\$3,077,678	\$3,179,537	(\$101,859)	\$1,526,243
May	\$3,612,432	\$2,578,610	\$1,033,822	\$2,560,065
June	\$8,689,633	\$8,715,151	(\$25,518)	\$2,534,547
=====	=====	=====	=====	=====
Total	\$45,400,514	\$42,865,967	\$2,534,547	

Special Fuel Tax - FY 2006

MONTH	ACTUAL	BUDGET	DIFF	Y-T-D DIFF
=====	=====	=====	=====	=====
July	\$2,956,841	\$2,956,841	(\$0)	(\$0)
August	(\$382,802)	(\$382,802)	\$0	(\$0)
September	\$3,845,418	\$3,845,418	\$0	(\$0)
October	\$4,935,281	\$4,935,281	\$0	(\$0)
November	\$3,204,292	\$3,204,292	\$0	(\$0)
December	\$3,661,730	\$4,678,014	(\$1,016,284)	(\$1,016,284)
January	\$3,773,653	\$3,905,385	(\$131,732)	(\$1,148,016)
=====	=====	=====	=====	=====
Y-T-DATE	\$21,994,413	\$23,142,429	(\$1,148,016)	
=====	=====	=====	=====	=====
February	\$0	\$2,894,323	(\$2,894,323)	(\$4,042,339)
March	\$0	\$4,466,798	(\$4,466,798)	(\$8,509,137)
April	\$0	\$3,460,391	(\$3,460,391)	(\$11,969,528)
May	\$0	\$3,031,989	(\$3,031,989)	(\$15,001,517)
June	\$0	\$9,644,070	(\$9,644,070)	(\$24,645,587)
=====	=====	=====	=====	=====
Total	\$21,994,413	\$46,640,000	(\$24,645,587)	